FINANCIAL TIMES

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Making a marque

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Business education

Separate Section

World Business Newspaper http://www.FT.com MONDAY JANUARY 19 1998

WORLD NEWS

Islamist party leaders may defy Turkish court ban

Turkey's Islamist Welfare party appeared to be on a collision course with the secular state as its leaders ignored warnings not to form a new Islamist opposition. Although the constitutional court closed the party on Friday, Welfare leader Necmettin Erbakan said: "This [Islamist] ideal will be fulfilled by the children of this nation, whatever the party or organisation's names." Page 2

Sinn Féin to meet Blair
Leaders of Sinn Féin, political wing of the Irish Republican Army, will visit UK prime minister Tony Blair today for a meeting likely to be dominated by Northern Ireland settlement proposals which Sinn Féin has rejected, and yesterday's loyalist murder of a Catholic. Page 7; *Editorial comment*, Page 15

MBA a career booster
European MBA courses – usually seen as poor relations to the big US business schools – can help double their graduates' salaries in under five years, an FT survey shows. Page 16

Moderate wins Bosnia poll
Moderate pro-western opposition leader Milorad Dodik was elected prime minister of the Serb half of Bosnia, ending six years' rule by hardline nationalists who launched the Bosnian civil war. Page 2

Labelling plans under review
European Union ministers are to review proposals for labelling genetically modified food after experts failed to agree on the issue. Page 5

Pilot charged over Nadir
UK pilot Peter Dimond, arrested by police investigating the escape from Britain of tycoon Asil Nadir, was charged with perverting the course of justice. The former Polly Peck International chairman, who faced £30m theft and false accounting charges, fled to Northern Cyprus in 1993 while on bail.

Leftists call for Emu poll
Thousands of French communists and other left-wingers marched through Paris to demand a referendum before France joins European economic and monetary union. Communist Party leader Robert Hue also called for the EU to make jobs and social issues its priority.

Ex-Nomura chiefs held
A former vice president and a former managing director of Nomura Securities and a director of Japan's public highway corporation were arrested on bribery charges.

Gas blast at Arctic mine
Hopes faded for 23 coal miners trapped after a methane explosion at Russia's Tsentralnaya coal mine in the arctic Vorkuta region. At least four were killed.

Dig for salvation
Malaysia's ruling party is asking its 708,000 youth members to grow vegetables and save on import bills. The campaign is in line with government appeals to Malaysians to help tackle the Asian economic crisis.

Cardinals named
Pope John Paul II named 22 new cardinals, including Archbishop Francis Eugene George of Chicago, and the archbishops of Toronto, Mexico City, Vienna and Madrid.

More people in US jails
The US prison population increased by more than 96,000 or nearly 5 per cent to more than 1.7m in the 12 months to June 30, the justice department said.

BUSINESS NEWS

Russian merger set to put new oil producer in world top three

Yukos and Sibneft, two of Russia's leading oil companies, will today announce a merger to create Yuksi, which will be one of the world's top three oil producers. Page 17; Opec tries to reverse production decision, Page 3

Kohlberg Kravis Roberts, the Wall Street buyout firm, was last night poised to pay more than $1bn for Regal Cinemas, one of North America's largest cinema chains.

Peregrine, the collapsed Hong Kong investment bank, said it hoped to find a buyer for its slimmed-down equity products business this week. Page 16

The European Commission is expected to indicate that it has concerns about the proposed merger of global accountancy firms Price Waterhouse and Coopers & Lybrand. Page 19

Kirch and Bertelsmann, the German broadcasting groups, hope to restrict US film studios' investment in Premiere, a proposed digital pay-TV venture. Page 19

The Italian government agreed to the L7,000bn ($3.9bn) sale of Autostrade, the state motorway network.

BZW's former chief executive, Bill Harrison, who is to take a senior role at Deutsche Morgan Grenfell, said he was sure that his new German employer would not pull back from investment banking as Barclays had. Page 17

Cauval Industries, French upholstery and furniture group, is set to announce the acquisition of Nestledown, its third UK bedding company. Page 18

Crédit Foncier de France, state-owned specialist property lender, is to receive a financial boost from government reform of a loan scheme for people on low incomes. Page 19

The Singapore government has taken a 25 per cent stake in the Duke of Westminster's European property business. Page 17

Allied Domecq has received an approach from at least one bidder interested in buying its drinks business. Page 17; Lex, Page 16

Ford Motor, the world's second biggest carmaker, plans to build a $150m factory near St Petersburg. Page 19

Inmarsat and Eutelsat, two of the world's biggest satellite operators, are considering abandoning their co-operative ownership and making a $3bn public offering. Page 18

Arthur Andersen, the world's largest professional services organisation, is seeking more time in the battle with its sister firm Andersen Consulting, which is trying to break away. Page 17

Cross-border acquisitions in Asia-Pacific countries fell by 50 per cent in value in the second half of 1997, two reports show. Page 18

Pearson, the media company, is looking at a possible auction of Future Publishing, its consumer magazine division, which might fetch up to £150m ($244.5m). Page 18

Malaysia Airlines System, the national carrier, is seeking to delay the delivery of 20 aircraft from Boeing of the US by up to five years. Page 5

Royal Dutch/Shell has held its first meeting with institutional shareholders to explain its new environmental and social policies. Page 18

Italy could clinch early membership of Emu

EU finance ministers ready to back finance plans

By James Blitz in Rome and Lionel Barber in Brussels

European Union finance ministers are today expected to give qualified approval to Italy's plans to be a founder member of economic and monetary union next year.

Barring last-minute objections from the Netherlands or Germany, ministers are likely to declare that the Italian government's latest projections for reform of its public finances are realistic and achievable.

But the so-called Ecofin meeting in Brussels is expected to express reservations about the 1998 budget and the sustainability of Italy's recent impressive drive to reduce its public deficit and debt.

Romano Prodi, Italy's prime minister, is hoping the Brussels meeting will give a strong endorsement of Italy's bid to join the single currency before Chancellor Helmut Kohl visits Rome tomorrow.

A draft report on Italy's latest efforts to cut its deficit was approved by the EU's secretive monetary committee last week. The report is expected to form the basis of today's judgment on Italy's Emu prospects.

The document expresses reservations about projections for reducing Italy's long-term pensions liabilities – an issue that briefly toppled Mr Prodi's government last autumn and which is seen as the biggest problem facing the country.

The draft states that the impact of recent reforms will be "very gradual", but it concedes that the pensions system no longer poses the same risk of financial collapse as five years ago.

The monetary committee – comprised of national treasury officials and central bankers – also suggests that the structural aspects of the 1998 budget appear limited and calls for a thorough overhaul of the Italian railways. The state railway system operates at a loss of about L4,000bn a year, around 0.2 per cent of gross domestic product.

"This is one of the major challenges for government action over the next few years," the draft says.

Today's Ecofin meeting is the first under the British presidency of the EU and one of the last formal opportunities for the Dutch and German governments to raise doubts about Italy's long-term fitness to join as many as 10 other EU members in the single currency.

There have been suggestions in Germany and the Netherlands that Gerrit Zalm, Dutch finance minister, might resign if EU leaders back Italy's bid at the summit on May 2-4.

Germany has also called for assurances over some aspects of Italy's finances. But Italy is expected to show a public deficit of about 2.7 per cent in 1997, lower than Germany's.

Rome visit: German chancellor Helmut Kohl

Virtue rewarded, Page 2
Philip Stephens, Page 14

Iraqis respond to call-to-arms

Iraqi women give a victory salute after joining a paramilitary group yesterday. President Saddam Hussein declared a 'holy war' on UN sanctions and called for a 1m-strong volunteer force to mobilise for a struggle aimed at breaking the embargo. Report, Page 16; Out to foil UN 'detectives', Page 3 Picture: AP

Hyundai chairman calls for 'gradual decline' of rival Kia

By Haig Simonian, Motor Industry Correspondent

Decisions by the South Korean government over the future of Kia Motors, the country's second-biggest vehicles group, will determine the fate of the nation's motor industry, said Mong-Gyu Chung, chairman of Hyundai Motors, the biggest carmaker.

Mr Chung said he hoped the government, which rescued debt-laden Kia last October, would let the company decline gradually. That would strengthen Korea's other carmakers and make room for Samsung's market debut in March.

Selling Kia to another company free of debt "would be quite disastrous for us", he said in an interview in London.

Mr Chung said allowing Kia, to wither was the most likely scenario. No domestic or foreign car company would buy Kia with all its debts.

Yet the government's straitened financial circumstances and commitments to the International Monetary Fund would prevent a transfer of Kia's loans to state institutions and the sale of a cleaned-up version.

Mr Chung, who heads the biggest subsidiary of Korea's second-largest industrial group, said the next three to six months would determine how fast Korea would emerge from its financial crisis.

Success would depend on the speed and decisiveness of the country's new president in steering through industrial restructuring to allow weaker companies to collapse or be acquired.

Fundamental labour reforms were also essential to allow companies to cut workers in response to lower demand.

He said that in the motor industry alone, Hyundai expected domestic sales to fall by between 25 per cent at best and 40-50 per cent at worst this year.

However, Mr Chung, on his first trip outside Korea since the crisis, allayed fears among western rivals of a flood of cheap Korean car exports to maintain production at home. He said Hyundai had not changed its pre-crisis target of raising exports by 15-17 per cent – from a total of about 600,000 to 700,000 units – this year.

Although the steep devaluation of the won would allow the company to cut foreign prices substantially, Hyundai intended to maintain prices. The increased margin would be used to cushion against deteriorating home conditions and to finance spending on improving the group's image abroad through advertising and marketing.

"We don't have any intention to raise overseas sales dramatically. It would invite some trade conflict and it wouldn't improve our profitability very much."

Mr Chung said Hyundai Motors, which made net profits of Won87bn ($54m) last year, would for 1997 report "a positive profit, a little less than the previous year".

Flip side of Asian coin, Page 12
US becomes top target, Page 7

EU to end dispute with US over tallow

By Daniel Dombey in Brussels

The European Union is poised to end a dispute over animal products in soap and cosmetics that has clouded trade relations with the US for more than a year.

In the next few weeks, the EU is expected to back changes that would allow products derived from tallow to be used in soaps and cosmetics.

Tallow, a fatty substance made from cooking animal carcasses and skimming off the residue, is almost universally used in both industries.

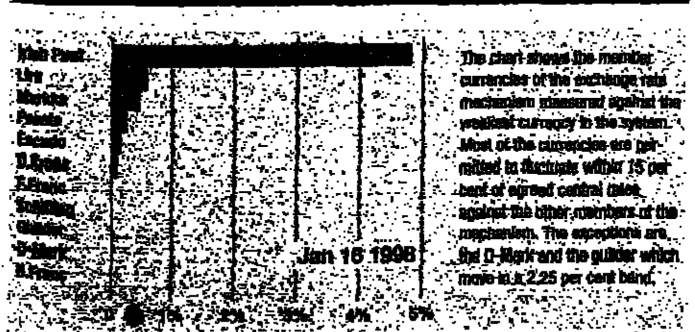
Last year the use of tallow and tallow derivatives in the two industries was technically banned in Europe because of fears over BSE or "mad cow disease". The parts of animals most at risk of carrying BSE – such as brains, eyes and spinal cords – are usually left in the carcasses used to make tallow. The ban was not enforced, critics say, because of its impracticality.

Lifting the ban would remove the legal uncertainty that has hung over hundreds of millions of dollars of US exports to Europe.

It would also reassure European soap and cosmetic producers that they would not have to make radical changes to the

Continued on Page 16

EMS: Grid



The French franc, the Austrian schilling, the Dutch guilder, the D-Mark and the Belgian franc all converged on the EMS grid last week, highlighting the disappearance of exchange rate volatility between them. Currencies, Page 23

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Inside

The new Spanish explorers: forming pocket-sized multinationals. Page 15

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NEWS: EUROPE

Triumph for Bosnian Serb moderate

By Guy Dinmore in Belgrade

A moderate pro-western opposition leader was yesterday elected prime minister of the Serb half of Bosnia, ending six years of rule by hardline nationalists who launched the Bosnian civil war.

Milorad Dodik, whose party of Independent Social Democrats has only two delegates in the 83-seat Bosnian Serb parliament, was able to form a government of national unity with the support of Moslem representatives based in the Moslem-Croat federation that makes up the other half of Bosnia.

The former ruling Serb Democratic party led by Radovan Karadzic, who has been indicted for war crimes, failed to form a coalition with the ultra nationalist Serb Radical party following inconclusive elections in November.

Mr Dodik's new government represents the most radical shake-up of post-war Bosnian politics, and is a victory for the international community in its campaign to forge a viable single state. Mr Dodik, a 38-year-old businessman from the north-west town of Laktasi, is a committed supporter of the US-mediated Dayton peace accord.

He has allied himself with Biljana Plavsic, the pro-western Bosnian Serb president. Diplomats expect the new government will give the international community the confidence to arrest more war crimes suspects – perhaps Mr Karadzic himself.

The US is also about to launch a drive to get refugees to return to their homes, although such an operation would need considerable support from Nato troops.

"We don't have anything to fear from the international community. We only have to fear our own ignorance and incompetence," Mr Dodik said after an all night session of parliament in the north-east town of Bijeljina. The nationalists stormed out of parliament and refused to take part in the vote.

Although Moslem deputies supported Mr Dodik, none will have ministerial positions in the new coalition.

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Italy wants virtue rewarded

Ciampi is building the case for admission to monetary union

Carlo Azeglio Ciampi, Italy's Treasury minister, is likely today to take his country one step closer to its goal of joining the planned single European currency in 1999.

There are strong indications he will get broad endorsement of Italy's economic reforms at a meeting of European Union finance ministers in Brussels.

But even so Mr Ciampi knows he must wait a little longer before getting a firm signal his country can join the first wave of entrants to European economic and monetary union (Emu).

Ciampi: must wait a little longer for firm Emu signal Reuters

Over the last 12 months, Mr Ciampi – who at 77 remains one of Europe's more energetic finance ministers – has conducted a lightning restructuring of the economy in his determination to get Italy to qualify for the euro.

In his budget for 1998 he introduced fiscal tightening of L25,000bn ($14bn) that is expected to keep the budget deficit to at least 2.8 per cent of gross domestic product this year.

Mr Ciampi is going to considerable lengths to ensure a cast-iron case for Emu entry. He has even promised to publish the outline of the 1999 budget before the final decision on Emu entry at an EU summit in May.

Moreover, he has sought to counter three specific concerns about the state of Italy's finances:

■ The first concern is that the Treasury has drastically cut transfers of cash to some 500 public bodies over the past year without annulling laws that entitle these self-same bodies to receive the transfers at a later date.

A draft report to be discussed by the EU finance ministers today claims this practice has created a stream of "residues" that could now amount to some 10.2 per cent of Italy's GDP, posing a "danger for future expenditure."

However, the report accepts assurances that the problem will be countered by a more scrupulous system of budgetary control.

■ The second concern is centred on Italy's overall debt, which, at around 122.7 per cent of GDP in 1997, is among the largest in the EU.

Here, Mr Ciampi has for the first time set out how the debt could be halved to 60 per cent of GDP – one of the Maastricht criteria for monetary union – by 2009.

This, he says, could be done if, over this period, Italy achieves nominal GDP growth of 4.5 per cent a year, a cost of debt at 5 per cent and a primary budget surplus (excluding interest payments) of 5.5 per cent of GDP.

Is this achievable? Giampaolo Galli, director of studies at Confindustria, the Italian employers' federation, says Italy's primary budget surplus is now 6.7 per cent of GDP and that maintaining it at 5.5 per cent for 12 years would virtually remove the scope for tax cuts and development spending. "The government would have a tough political fight on its hands to say the least."

Mr Ciampi's office disagrees. It insists that the projections for debt reduction are "optimistic but not over-optimistic." A boost in Italy's privatisation programme – beyond what is already accounted for in the Ciampi plan – is deemed to be possible and would generate receipts to reduce the overall stock of debt.

■ The pressure on Italy to reduce its debt quickly is partly generated by a third concern – the potential for a rise in pensions spending in the second decade of the next century.

The judgment of the paper being submitted to EU finance ministers today is that last year's pensions reform by the government of Romano Prodi has "a medium-term effect that will last until 2007." After that, government figures show pensions spending as a proportion of GDP rising from 14.5 per cent to a peak of 15.79 per cent in 2032.

Paolo Onofri, Mr Prodi's adviser on pensions, tries to play down the concern about this.

He believes that, having first got the debt down to 60 per cent of GDP, the country will have greater scope to deal with the pensions problem than it does now.

"We can either spend more money getting ourselves through the transitional phase of difficulty regarding pensions," he says. "Or we can reduce the burden of taxes."

Here, as elsewhere, the impression that Italy wants to create is that things should get better, not worse.

James Blitz

NEWS DIGEST

Greens stay in state coalition

Greens in North Rhine-Westphalia, Germany's most populous state, voted at the weekend to remain in coalition with Social Democrats in the state government, despite their opposition to plans for an extension of the local Garzweiler open-cast lignite mine. A crisis meeting near the existing Garzweiler site avoided the collapse of a coalition which Greens and the SPD hope will also take power in Bonn after federal elections on September 27.

However, the meeting failed to resolve a policy split between the Greens and the SPD, which in North Rhine-Westphalia has based its economic policy largely around energy production, particularly coal. Greens still hope to block Garzweiler II.

The SPD meanwhile kicked off its campaign in the March 1 state elections in Lower Saxony, with opinion polls pointing to a "red-green" coalition a likely outcome of September's federal elections. But the SPD faces an internal row over the timing of its choice of candidate to run against Chancellor Helmut Kohl. Gerhard Schröder, Lower Saxony's premier, called for a decision by the party leadership earlier than March 16. *Ralph Atkins, Bonn*

■ CZECH POLITICS

Right forms breakaway party

The Civic Democratic party (ODS), which led the Czech Republic from its foundation in 1993 until last month, imploded at the weekend when 30 of the party's 69 deputies formed a new party called the Freedom Union party. The split marks the end of the ODS as the guiding force of the country's transformation from communism.

The split is the result of a feud between senior members of the party and its founder, Vaclav Klaus, which came to a head last month when Mr Klaus was forced to resign as prime minister over a political funding scandal. The creation of the Freedom Union party means four main parties are competing for the centre-right vote against one party, the Social Democrats, on the centre-left.

Mr Klaus has vowed to oppose the government in its vote of confidence on January 27, which means it will need the support of the Social Democrats. They will decide how to vote next weekend after the government announces its programme. *Robert Anderson, Prague*

■ ROMANIAN REFORMS

President backs PM

Emil Constantinescu, Romania's president, has thrown his weight behind Victor Ciorbea, prime minister, and called an emergency parliamentary session on Wednesday for a vote of confidence in the government and the reform process.

Mr Constantinescu's move appears to be an attempt to call the bluff of the Democratic party (PD), the minority coalition partner, whose demand last week for Mr Ciorbea's replacement sparked the present crisis. The president and prime minister belong to the majority party, the National Peasants.

The president said that from now on, every parliamentary vote on a new law would be considered a vote of confidence. If there were no censure motion within three days of a law being passed by parliament, he would take this as parliamentary authorisation for the government. The PD also does not want to provoke early elections, as its poll rating has slumped. *Anatol Lieven*

Turkish Welfare leaders defy party ban

By John Barham in Ankara

Leaders of Turkey's Islamist Welfare party yesterday appeared set on a collision course with the secular state after they ignored warnings not to form a new Islamist opposition grouping.

Necmettin Erbakan, Welfare's leader, said: "This [Islamist] ideal will be fulfilled by the children of this nation, whatever the party or organisation's names. Our nation will definitely form a great Turkey again. Ideals cannot be changed, aims cannot be changed."

The constitutional court on Friday closed Welfare for conspiring against the secular state.It also barred Mr Erbakan and five other senior Welfare members from political office for five years.

President Süleyman Demirel said: "Nobody has the right or privilege to violate the laws of the Turkish Republic. Today's parties and ones to be formed must pay more attention to the constitutional court, the prosecutor and the public."

Newspapers yesterday quoted Mr Vural Savaş, the appeals court prosecutor who led the case against Welfare, as saying: "If any party is acting as the continuation of a dissolved party, we will also seek its closure by the constitutional court."

Welfare emerged as Turkey's largest party in elections in 1995, but fell far short of a majority.

Mr Erbakan served as the country's first Islamist prime minister for 11 months until a political campaign led by the secularist army forced him from office last June. Mr Savaş brought charges against Welfare at the height of the campaign, accusing the party of bringing the country to the brink of civil war.

Party members are obeying Mr Erbakan's appeals for calm, but gave him a hero's welcome at meetings over the weekend.

Saddam out to foil UN 'detectives'

Baghdad has barred inspectors led by Scott Ritter (left), who is accused of espionage Reuters

Since the beginning of the United Nations hunt for Iraq's weapons of mass destruction, Baghdad has played a "cat and mouse" game with the UN special commission charged with finding and destroying the Iraqi arsenal (Unscom).

But with every round, Iraq's focus becomes more specific and in the latest standoff with the UN, Baghdad last week barred a team of inspectors led by Scott Ritter, an American it accuses of espionage.

On Saturday President Saddam Hussein renewed his threat to halt UN inspections and warned Washington against taking any military action over Baghdad's deepening row with the UN.

Experts who have been involved in inspections say that what Mr Saddam is doing – and getting away with – is distracting attention from the basic objective of inspection and seeking to make the process ineffective.

"Saddam has sought and *de facto* achieved that he can dictate that sites like presidential palaces cannot be inspected," says Tim Trevan, former senior adviser to Unscom. "And now he is dictating the composition of teams, which is like negotiating on a jury until you get the one most favourable to your case and ensuring that inspections teams are incompetent or do not have the expertise to carry out the job."

The unfortunate result, says Mr Trevan, is that the international community becomes focused on appeasing Baghdad about the composition of inspection teams, rather than getting Iraq to comply with inspections.

The job of finding and destroying Iraq's arsenal involves often extraordinary detective work. It is so complex that many observers doubt it will ever prove satisfactory, since Iraq's past behaviour shows it is likely to do all it can to continue deceiving inspectors.

Critics of UN sanctions on Iraq, meanwhile, argue that inspectors are so suspicious of the Iraqi regime that inspections could go on indefinitely – and thus so could sanctions, which can be lifted only when the UN declares Iraq free of weapons of mass destruction. "The whole thing depends on Iraqi co-operation," explains Terrence Taylor, a former chief inspector who is now assistant director at London's International Institute for Strategic Studies. "You cannot do it without co-operation and that is what the current fuss is all about."

Six years after Resolution 687 was passed by the Security Council requiring Iraq to make full disclosure of its weapons of mass destruction, significant progress has been made in uncovering and destroying Iraq's ballistic missiles as well as nuclear programmes.

On chemical weapons, Iraq has yet fully to disclose its programme to develop VX, the most toxic chemical nerve agent. But the area that remains of greatest concern – and has sparked the crisis with the Security Council in recent months – is biological weapons, which are more dangerous than chemical agents because a lighter quantity can kill more people.

It was not until 1995 that Iraq admitted having developed biological weapons. How this admission was forced out of the Iraqis is a typical example of the elaborate detective work involved in inspections.

As is often the case, the inspectors' first hard evidence that Iraq might be developing biological warfare agents came from import documents, which showed that in 1987 and 1988 Iraq had imported 40 tonnes of a substance called growth media – which can be turned into fatal viruses and bacteria. Although the substance can be legitimately used in hospitals, the amount bought by Iraq seemed hugely out of line with normal medical use.

The inspectors' first task was to try to account for the 40 tonnes, and the Iraqis provided documents proving the substance had all been delivered to hospitals. But Mr Taylor, for example, was given 23 documents which, after forensic checking, appeared not to be originals.

"When we asked for the originals, we were told some were lost and they had to reconstruct them," he recalls.

"When we asked how they were lost, they said they were burnt in a fire. When we asked how documents in a metal cabinet would catch fire, they said the door of the cabinet was open. Each story individually could have happened, but not all put together."

Even before inspecting the documents, suspicions about a biological weapons programme had led inspectors to draw up a list of all facilities containing equipment that could be used to turn the growth media into bacteria and viruses or could in any way contribute to a biological weapons programme.

So they had to visit and inspect facilities ranging from detergent factories, pharmaceutical production plants and breweries to dairy factories and vegetable-oil processing plants.

By July 1995 enough evidence had been uncovered and suspicion nurtured to warrant a confrontation with Iraqi officials, who had to admit that Iraq had indeed developed biological agents. But they insisted they had only produced the agents. They had not filled weapons with them.

This turned out to be a half-truth. In August the same year, the defection of Hussein Kamel Hassan, Mr Saddam's son-in-law, who had been responsible for Iraq's weapons procurement programme before the Gulf war, forced the Iraqis to confess to having filled missile warheads and tactical field artillery with incapacitating crop agents.

This led UN inspectors to several sites, among them Al Hakam, one of the most important production facilities for anthrax – a living organism with fatal effects in humans and animals – which was being produced under the cover of such products as protein additives for animal foods.

If much scepticism remains today about Iraq's biological weapons, it is because the Iraqis have said they had filled 25 warheads with biological agents but claimed they had destroyed the warheads, without being able to show inspectors where or how.

Although Iraq is not accused of continuing to develop biological weapons, "we still don't know the level and range of their biological weapons, the personnel involved and where everything was carried out," says Mr Taylor. "We need to know this in order to carry out long-term monitoring. Biological weapons can be restarted in dual facilities if we loosen the grip."

Roula Khalaf

Opec move to back off output decision

By Robert Corzine in London

Several Opec states are stepping up their efforts to find a politically acceptable solution that would allow the oil exporters' group to back away from a recent decision to increase its production ceiling by 10 per cent.

The decision helped drive oil prices down to their lowest levels in 45 months, a development which threatens the budgets of a number of Middle Eastern oil producers.

An emergency meeting later this month of the ministerial watchdog committee of the Organisation of Petroleum Exporting Countries will have to agree on specific recommendations if it is to have any positive impact on the bearish sentiment pervading world oil markets, according to officials preparing for the meeting. Iran, the world's third largest oil exporter, yesterday confirmed that its oil minister would chair the meeting in Vienna on January 26.

Tehran is said to be growing more concerned about the financial impact of the slide in oil prices that followed the November meeting of the Opec, at which Saudi Arabia engineered a 10 per cent rise in Opec's production ceiling. Although the committee cannot roll back the ceiling increase, Opec officials say it will need to agree specific steps aimed at easing the pressure on prices. "Creating a lot of market expectations and then just agreeing on generalities would be a disaster," said one Middle Eastern oil official yesterday.

The growing concern over weak oil prices was highlighted yesterday when the Gulf sultanate of Oman called for a meeting of regional oil ministers to come up with a response to weak prices.

Although Oman is not an Opec member, oil industry observers say its appeal is significant as it shows the depth of feeling in the region that the Saudis may have mistimed their initiative.

Some Opec states fear Saudi Arabia, the dominant Opec oil exporter, may dig in its heels to save itself the political embarrassment of having to drop a policy so closely identified with Riyadh.

"All countries make economic mistakes sometimes," said one Middle Eastern oil official. "But no country can afford to be obstinate in respect to the revenues of other sovereign states."

NEWS DIGEST

Khatami rival denounces US

Efforts by Iran's President Mohammad Khatami to improve relations with the US suffered a setback at the weekend when members of parliament gave a standing ovation to a speech by Ali Akbar Nateq-Nouri, the parliamentary speaker, in favour of Ayatollah Ali Khamenei, Iran's spiritual leader, following the ayatollah's scathing attacks on the US.

"All MPs started shouting 'death to America'," according to one eye-witness. Ayatollah Khamenei, in his Friday prayers speech at Tehran university attended by many of Iran's senior government officials and military officers but not Mr Khatami, said Iran did not need any talks or relations with the US.

He described the US as "the enemy of the Islamic republic, the enemy of your Islam, of your independence and of your honour". Talks with the US have no benefit for us and are harmful to us," he said. It was Ayatollah Khamenei's first public reaction to Mr Khatami's CNN broadcast on January 7, in which he called for "dialogue and understanding" and cultural exchanges with the US.

According to Iranian observers, the setback to President Khatami's policy of dialogue may not last. Mr Khatami's opponents, they say, have no policy to offer except continuing isolation for Iran, whereas he was elected to the presidency in a landslide vote by offering a new beginning and the end of isolation. *Robin Allen, Dubai*

Cohen to urge missile sales halt, Page 4; Kinkel considers policy, Page 5

■ KENYA FLOODS

Heavy rain kills at least 86

Floods caused by the heavy rain have killed at least 86 people and caused the worst damage in Kenya's recent history. In the capital Nairobi, one-third of the city's 2m population was yesterday left without fresh water after a main supply pipe snapped into two, apparently after heavy rains exposed it.

Torrential rains were expected to resume on Wednesday or Thursday and President Daniel arap Moi has appealed for international help to help flood victims and repair infrastructure. *Reuters, Nairobi*

■ TROOPS WITHDRAWAL

Israel delays presenting plan

Benjamin Netanyahu, Israeli prime minister, will not present Israel's plan for the scope of an overdue troop withdrawal from the occupied West Bank when he meets Bill Clinton, US president, in Washington tomorrow, the Israeli cabinet decided yesterday. Israel's reluctance to say how much land it would cede to the Palestinians has obstructed efforts to revive the Israeli-Palestinian peace process. Washington has urged Israel to carry out a "credible and significant" redeployment in the West Bank to rebuild Palestinian confidence in the talks. Yassir Arafat, Palestinian leader, is scheduled to meet Mr Clinton in Washington on Thursday.

Palestinian officials said the decision was the latest indication that Israel had no intention to try TO break the deadlock in Washington this week. The cabinet will only consider the further redeployment "up to a ceiling which will not damage the vital interests of the state" after Mr Netanyahu returns from Washington.

Editorial Comment, Page 15 *Avi Machlis, Jerusalem*

NEWS: ASIA-PACIFIC

Indonesian group turns to Chase Manhattan for help

By Sander Thoenes and Peter Montagnon in Jakarta

Bakrie & Brothers, the diversified Indonesian conglomerate, has hired Chase Manhattan as its financial adviser to help the group meet looming off-shore debt obligations, amid growing signs that Indonesian enterprises are ready to sacrifice assets and image to save themselves.

Bakrie & Brothers, the listed part of the Bakrie Group, is the first Indonesian company to publicise efforts to restructure and reduce exposure to short-term debt, which has tripled in rupiah terms over the past few months as the currency has collapsed. Ciputra Group, a leading property company, has yet to confirm reports that it hired ING Barings as an adviser, and numerous other groups are believed to have hired similar experts.

Most Indonesian enterprises have been slow to respond to their debt exposure – and almost all have publicly denied it – expecting the currency to recover before debt payments start to hurt. But the rupiah fell from Rp2,600 to the dollar in July to Rp10,000 earlier this month, ending at Rp8,200 on central bank intervention on Friday.

Last week the government estimated foreign debt had reached $140bn, including $20bn in short-term debt. At least $80bn was private debt and much of it was not hedged.

Bakrie and most other companies have in recent weeks negotiated rollovers for much of their debt, as they are technically bankrupt at the going exchange rate. Bankers fear any new fall of the rupiah could spark a debt moratorium, official or de facto. At least 40 companies have already defaulted, by market estimates, but lenders have rarely gone public on bad loans.

Bankers said the prospect of finding an over-arching solution to Indonesia's corporate debt problems was made harder by the number of companies involved and the wide range of borrowing instruments they have used. Because Indonesia has no workable bankruptcy law, lending banks are unable to foreclose and attach the assets of debtor companies.

Compared with Bakrie, known to be one of Indonesia's most heavily indebted companies, others are better placed. Companies in the Sinar Mas group, which has extensive interests in pulp and paper, have borrowed in international bond markets relatively recently.

One difficulty if Indonesia opts for a moratorium is that it could drag down companies otherwise capable of surviving.

But at present exchange rates almost no company can afford to meet obligations and many have quietly stopped doing so. Local brokers estimate that less than 10 per cent of listed companies are solvent at present rates.

Crucial this week will be the performance of the rupiah. A modest recovery on Friday was widely attributed to intervention by the central bank, which has so far been reluctant to use its reserves to bolster the exchange rate.

Hanoi acts on currency pressure

By Jeremy Grant in Hanoi

Vietnam's central bank has introduced measures aimed at attracting hard currency away from the unofficial market and into the banking system, in a bid to ease pressure for devaluation.

One measure allows foreign banks to book forward foreign exchange contracts for corporate clients for the first time, offering traders a chance to hedge against future currency movements.

The move coincides with a further hardening of the International Monetary Fund's stance towards the communist authorities over stalled economic reforms.

IMF officials said a visiting mission had issued a blunt message to Hanoi that talks over fresh concessional funding – already months behind schedule – could not restart unless there were steps taken to reform state-owned enterprises and debt-ridden banks.

Foreign bankers nevertheless welcomed the central bank decisions.

They were also encouraged by a second decision designed to force exporters to sell surplus hard currency to banks.

Signs that exporters have been hoarding dollar receipts and trading them through unofficial channels have alarmed the authorities, faced with an acute shortage of hard currency. The local currency, the dong, is non-convertible.

"These two regulations, hand in hand, could take some of the short-term pressure off calls for a devaluation. It's a good step towards redressing the gap between supply and demand," said Peter McLean, treasury manager at Standard Chartered Bank.

Pressure has been mounting on Vietnamese banks and traders to find dollars to meet short-term trade obligations, many of which are falling due as stricken Korean banks and trading houses call in debts.

Bankers say about $600m is owed to Korean, Japanese and other institutions over the next three months. Korean embassy officials admit to unpaid debts to Korean companies of about $100m.

Cohen to urge Iran missile sales halt

By Tony Walker in Beijing

William Cohen, US defence secretary, this week will seek to prise open China's secretive military in a visit to prepare for a tour to Beijing later in the year by President Bill Clinton.

The defence secretary will also press Beijing for firm undertakings to stop selling missiles to Iran. China has said it will halt transfers of C-801 and C-802 cruise missiles, but has been vague on whether this refers to new or existing contracts.

The US has been urging Beijing to engage in more candid discussions about security issues and to open its military facilities to closer scrutiny, but Washington has been frustrated by Chinese lack of openness.

Mr Cohen's visit is also being billed as the beginning of a "new phase" in military relations following the successful summit last October between Mr Clinton and Jiang Zemin, his Chinese counterpart.

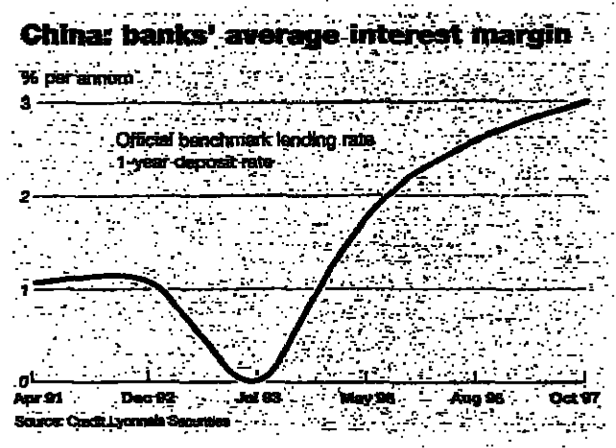
"I think we are entering a new phase of our military relationship now," said a defence official travelling with Mr Cohen.

Washington is anxious to expand a military dialogue to eliminate distrust and promote co-operation with Beijing.

Mr Cohen said the US would maintain an embargo on arms sales to China, in force since the Tiananmen Square massacre in 1989.

China wakes to need for banking reform

Dai Xianglong, China's central bank governor, did not use the word "recapitalisation", but it seems that at last China is becoming serious about tackling one of its most critical problems – a debt-paralysed banking system.



During a two-hour press briefing Mr Dai spelled out what appears the most credible programme yet aimed at strengthening regulation over China's banks, forcing the closure of money-losing branches, enhancing competition with the establishment of dozens of local commercial banks and, most important, accelerating debt write-offs.

He also made it clear the authorities would take aim at cronyism in the provision of loans by enforcing rules banning officials interfering in bank lending decisions – a chronic problem.

Banking analysts, who have sharply criticised lack of progress towards reform, now concede that Beijing is making progress in building what Mr Dai refers to as a "modern financial system". He has set 2000 as the target for such a system.

But analysts also say that China's banks, whose loan portfolios are riddled with problems, are far from out of the woods and that the next year or so will be critical.

South-east Asia's financial crisis has sent chill winds across the region and has helped concentrate minds in Beijing.

Joe Zhang, a former officer of the People's Bank of China and now an analyst with Credit Lyonnais Securities in Hong Kong, says: "It is almost a consensus that many Chinese banks are technically bankrupt. Fortunately the government is trying to do something about it – and the market is also helping."

■ The finance ministry has raised the ceiling under which banks can write off bad loans to 3 per cent of total assets, compared with 1 per cent previously. Given that the proportion of banks' bad loans is far higher than 3 per cent, this restriction is still too rigid, Mr Zhang says, but it is a clear recognition by Beijing that banks must be recapitalised.

■ Beijing has cut interest rates three times over the past 18 months, with deposit rates being cut more aggressively. As a result, banks' average interest rate margins are rising, which should enhance profitability and help absorb bad loans.

■ Falling inflation is working to banks' advantage because it means financial institutions are no longer obliged to pay an "interest rate subsidy" on deposits to take account of inflation. This is proving, in Mr Zhang's words, a "life-saver" for these institutions.

Banks are also benefiting from changes in the public's inflationary expectations, with deposits skewed towards the short end of the maturity spectrum. This is reducing banks' funding costs, but without eroding their deposit base. Bank deposits rose about 18 per cent year-on-year in 1997.

> The financial crisis in Asia is focusing minds in Beijing

"Chinese banks have seen their counterparts in the rest of Asia fall in droves, reminding them how vulnerable they are," Mr Zhang says.

"The central bank is closing down a large number of bank branches, finance companies and credit unions to tighten supervision. If these measures are allowed to work for a few years, we will see a better capitalised and managed banking system emerge in China."

This was certainly Mr Dai's message, but the authorities face a huge task pummelling into shape an unwieldly banking dinosaur dominated by the "big four" state-owned commercial institutions – Industrial and Commercial, Construction, Agricultural and Bank of China.

Together these account for about 80 per cent of banking business, and the bulk of bad loans. Mr Dai says 5-6 per cent of loans are bad and will have to be written off, but he also concedes that about 20-25 per cent of loan portfolios would be classified as problem loans by western standards.

Among the more important reforms envisaged over the next few years is the introduction of loan classifications according to Bank for International Settlements standards, thus bringing China into line with western practice.

"It is expected that another two years of effort will bring loan management of the Chinese commercial banks to a relatively high standard," says Mr Dai.

Other measures which should help enliven China's banks include encouragement to lend to the more dynamic non-state sector and establishment of a mortgage finance market for housing.

This is a long-awaited step and, if handled prudently, should add significantly to profits.

Mr Dai also pledges to encourage the expansion of foreign branch activity in China to enhance competition.

The green light for local commercial banks in some 300 centres is also aimed at enlivening a moribund sector whose main task had been simply to gather deposits and hand them over to loss-making enterprises, many of which had no intention of repaying loans.

Tony Walker

Regional leaders join PNG peace bid

By Gwen Robinson in Sydney

Australian and New Zealand negotiators will try to broker a permanent truce between warring factions from Papua New Guinea's far eastern island of Bougainville in peace talks starting today in New Zealand.

The five-day meeting will bring together for the first time the main parties to the conflict, as well as regional leaders including New Zealand's prime minister, Jenny Shipley, and the Australian foreign minister, Alexander Downer.

Secessionist rebels opposed to PNG's rule have been waging a campaign against the government for nearly four decades. The current guerrilla conflict was triggered more than nine years ago by local protests over development of the Panguna copper mine by Bougainville Copper, now a subsidiary of Rio Tinto.

Australia and New Zealand became involved in peace efforts after attempts by successive PNG governments to curb the rebels culminated in an ill-advised operation to wipe them out by employing foreign mercenaries – known as the Sandline affair.

New Zealand's foreign minister, Don McKinnon, expressed optimism that today's meeting, the third round of talks, would lead to a permanent ceasefire. But a longer-term solution, including the possibility of a referendum, was some way off, he acknowledged.

The peace process is likely to be complicated by Rio Tinto's confirmation last month that the company had no intention of permanently abandoning its Bougainville mining project, which was closed by the conflict.

Indian city breathes fresh financial air

By Krishna Guha in Ahmedabad

Three years ago, the city of Ahmedabad in India's western state of Gujurat was on the verge of insolvency. Today it has an annual surplus of Rs800m ($20m) and a domestic credit rating of A+.

On Friday, it launched India's first public issue of municipal bonds – aiming to raise Rs1bn ($25.1m) to modernise its water and sewerage system.

Financial health is yet to transform everyday life in the chaotic textile city of 3.5m people, but signs of change are visible on Ahmedabad's streets.

New lamps light the city centre. The Law Gardens park is immaculately maintained and in full flower. And the streets boast dozens of new boutiques and a parade of giant back-lit advertising hoardings. Now, the city hopes its bond issue will allow it to start tackling the big infrastructure challenges which lie ahead.

"This is take-off time," said B. K. Sinha, municipal commissioner. "It is the first time any municipal corporation has gone to the public" in India, he said. The issue would "establish credibility in the market" and pave the way for future debt issues.

Mr Sinha said bond issues allowed Indian cities to plan infrastructure development – rather than respond *ad hoc* to the relentless pressure of population growth. "It would take 10 or 15 years to finance a project like this out of reserves," he said.

A little over three years ago the municipal corporation "could barely find enough money to pay salaries – we could not think of taking on any new projects," said Mr Sinha.

The recovery began under his predecessor as municipal commissioner, K. S. Varma, now at the World Bank. "He found leakages at the checkposts where traders pay *octroi* [a tax on movement of goods into the city]," said Mr Sinha. The leaks were "plugged" and the corporation "suddenly shot into surplus". The money was spent on repairs to roads, pavements and water pipes in an attempt to get public support for more fundamental change.

Mr Varma realised that to cut tax evasion permanently, the city had to shake up its tax collection and records.

Ahmedabad has now computerised the two main *octroi* checkpoints and half the register of taxable properties. By the end of the year it hopes to complete the property register and computerise more checkpoints.

Ahmedabad developed ties with USAid, which provided advice on how to build a municipal finance system and gave $25m in guarantees to help finance the water project. It also joined international municipal associations to swap experience with other cities worldwide.

Ahmedabad – which has asked private companies to take over public amenities in return for advertising rights – is in favour of further privatisation.

Mr Sinha's efforts are to concentrate on widening the tax base. "We have 850,000 properties on our register, but only 350,000 pay tax," he said. "Let the others pay only one rupee a day."

Earl Kessler, director of regional urban development at USAid, believes the city has made a fundamental shift – parting ways with India's old socialist philosophy of entitlement. "They have said taxes will be collected and people will actually receive the services they pay for."

NEWS: WORLD TRADE

Malaysia seeks Boeing delay

By Sheila McNulty in Kuala Lumpur

Malaysia Airlines System, the national carrier, is in discussions with Boeing of the US to delay the delivery of 20 aircraft by up to five years.

The delay, involving the bulk of a 25-aircraft order said last year to be worth M$10bn (US$2.1bn), illustrates how severely the south-east Asian financial crisis is hitting Malaysian companies and the impact it will have on US businesses.

The US dollar price tag of the wide-bodied aircraft has risen sharply with the steep decline in the value of the ringgit against the dollar over the past six months.

Tajudin Ramli, the airline's chairman, said in an interview with the government news agency, Bernama, that Malaysia Airlines had been hit hard by the regional financial crisis. Not only was its US dollar denominated debt of close to $8bn becoming increasingly expensive to pay, but the number of passengers had declined. Before the crisis, the airline flew 1.3m passengers a month, but now it flew only about 1m, he said, adding that even traffic on its best performing London route had slowed. "Our revenue has come down but cost has gone up, so the impact is quite dramatic for us," he said.

Mr Tajudin expects earnings to suffer. For the year ended March 31, 1997, the airline announced a 39.1 per cent increase in full-year, pre-tax profit to a record M$349.4m. At that time, Mr Tajudin spoke optimistically of the airline's expansion plans, though analysts privately worried about the company's large debts and in-flight service standards. The regional slowdown has highlighted those shortcomings.

Mr Tajudin said Malaysia Airlines planned to sell four of its DC-10s and one Airbus A300 this financial year and was also considering selling six 737-500s and leasing back three.

It is also contemplating cutting some destinations on which passenger traffic has dropped. Mr Tajudin called the Kuala Lumpur-Jeddah route "non-viable", noting that the airline had already stopped flying daily to Jeddah during Ramadan.

Philippine Airlines said last week it planned to cancel orders for four Boeing aircraft. The four B747-400 aircraft were due to be delivered to the airline in phases beginning near the end of 1999. The move was because of PAL's debts and inability to turn a profit, according to a local press report.

Global taste for ice cream

By John Willman, Consumer Industries Editor

More than half the growth in the global ice cream market over the next four years will come in the developing countries of Asia, Africa and Latin America, according to a report* published today by Euromonitor.

The market research company says ice cream sales – which have averaged real growth rates of more than 5 per cent a year since 1993 – will rise from $48.8bn in 1997 to $57.6bn by 2001.

But the fastest growth rates will be outside the developed countries, with Asian sales (excluding Japan) set to double and those in Latin America forecast to rise by 50 per cent.

Sales in north America and western Europe, which currently account for 76 per cent of the global market, will rise less than 10 per cent over the next five years.

In these developed countries, the report says, manufacturers will have to adapt to demographic changes – with fewer children and more older people. One strategy will be to shift to more elaborate products that can compete with other forms of desserts and snacks for older customers.

The report predicts a rosy future for ice cream parlour chains such as Baskin Robbins, owned by Allied Domecq of the UK, and Dairy Queen of the US.

The US remains the world's largest ice cream market, with 44 per cent of global sales. The average American consumes just over 20 litres a year, and spends $82 – most of it in the country's 13,300 parlours.

Average consumption in western Europe is much lower, at 5.5 litres a head, costing $29 a year. Italians are the region's biggest spenders, buying ice cream worth $78 a year on average – again mostly in more than 27,700 ice cream bars. Swedes eat the largest amount, at nearly 16 litres a year per head – almost none of it in parlours.

Asian consumers spend barely $1 a year on ice cream, eating just over half a litre on average. But sales have more than doubled over the last five years and Asia will overtake western Europe in volume terms by 2001.

Unilever, the Anglo-Dutch consumer products group, continues to dominate the global market, with over 20 per cent of sales. This is more than three times those of Nestlé, the Swiss group which is number two in the market.

Third is Baskin Robbins, followed by Häagen-Dazs, the luxury ice cream maker owned by Diageo, the food and drink combine.

**Ice Cream – A World Survey. Available from Euromonitor, 60 Britton Street, London EC1M 5NA. £8,950.*

Ice cream sales

Global value

	Current prices 1997 ($bn)	Annual growth (%)
1994	42.65	7.7
1996	46.53	4.6
1998	51.44	5.5
2000	56.78	6.4

Source: Euromonitor

Worries over planned investment accord

By Guy de Jonquières

Leading business organisations in the US and Europe are concerned that a planned agreement to promote foreign direct investment seems likely to dismantle few international barriers and may create costly new ones.

The Multilateral Agreement on Investment (MAI), being negotiated by the 29-member Organisation for Economic Co-operation and Development, has been billed as an attempt to devise rules and disciplines comparable with those for world trade.

But business representatives said they were disappointed the talks had failed so far to achieve any real liberalisation and worried the agreement might impose restrictive labour and environmental standards on multinational companies.

"We now hear of disturbing signs that many of the elements we were hoping for may not be possible," said Herman van Karnebeek, deputy chairman of Akzo Nobel, the Dutch chemicals group, who heads the OECD business and industry advisory committee. "What then, we are beginning to ask ourselves, is in the MAI for us?"

Frans Engering, chairman of the OECD talks, conceded the draft agreement contained flaws, which required further negotiation. But he dismissed some criticisms by business organisations as misplaced, and said they had adopted a more positive attitude after meeting OECD negotiators late last week.

Nonetheless, some business representatives say unless they are satisfied with the final agreement, due to be completed by April, they will not support its approval by OECD member parliaments.

Business organisations have stepped up their lobbying partly to counter demands by trade unions and other non-government bodies for tough provisions in the MAI to enforce core labour standards and strengthen environmental safeguards.

Many of the demands are supported by the US, which is pressing hard for tighter environmental provisions in the MAI. Although business groups say they can accept some US goals, they oppose a proposal to require environmental impact assessments of certain planned investments.

Some business lobbyists are worried that strengthening labour standards provisions in the MAI could make it harder for governments to adopt policies designed to create more flexible labour markets.

They also complain that OECD governments are still attaching reservations and exceptions to commitments to protect foreign investors and are balking at a binding undertaking to renounce abusive tax treatment of foreign-owned subsidiaries.

Mr Engering said the MAI talks now needed to move beyond technical issues to political discussions. These will be held next month, when OECD deputy ministers meet in Paris.

Australia weighs S Korea guarantee

By Gwen Robinson in Sydney

The Australian government is expected today to decide on a controversial proposal to provide emergency trade finance guarantees for some of Australia's A$7bn (US$4.5bn) exports to South Korea, amid growing concern about collapsing Asian export markets.

The plan, drawn up in response to pleas from Australia's commodity exporters, will top the agenda at the first meeting of the year for the cabinet of the prime minister, John Howard.

The proposal calls for invoking a "national interest" provision to provide some A$500m in credit insurance for exporters to Korea through the Export Finance and Insurance Corporation (EFIC).

After several months of economic turmoil in Korea, EFIC has virtually reached its limit for covering exports to Korea, Australia's second largest export market after Japan. The body is government-funded, but is required under its charter to make decisions on a commercial basis.

Last week, EFIC warned banks it would start considering proposals to insure trade finance lines on a case-by-case basis and in some instances would provide cover of only 20 per cent or less of funds at risk. EFIC usually insures banks for 90 per cent, or occasionally even 100 per cent, of cover.

The cost of such insurance, in many cases, has nearly trebled from a year ago and Korean buyers have been encountering difficulty securing letters of credit.

Australian exporters have warned that without extra government guarantees they will be unable to compete with US counterparts, following Washington's move late last year to institute a special US$1bn credit guarantee programme for agricultural exports to Korea.

NEWS DIGEST

EU to review genetic labels

European Union ministers will review proposals for labelling genetically modified food following the failure by food experts to agree on the labelling issue.

In December, the European Commission proposed protein and DNA tests to decide whether to label foods as containing genetically modified soya or maize. The Commission also agreed to say in certain cases products "may contain" genetically modified organisms.

However, consumer groups have criticised the Commission's proposals as too lax, while producers believe that the use of DNA tests will mean that too many foods are labelled as containing genetically modified organisms. Several groups have also said that the phrase "may contain" would be too vague to provide practical help for consumers. *Daniel Dombey, Brussels*

■ SWINE FEVER

Germans tackle outbreak

German agriculture authorities stepped up efforts at the weekend to control an outbreak of swine fever in Mecklenburg-Vorpommern, in north-east Germany.

Across the country, 82,000 animals were expected to be slaughtered. The European Union's veterinary committee is expected to review the crisis on Wednesday but the Bonn agricultural ministry appeared confident at the weekend of avoiding EU action.

Animals from the affected region were delivered to North Rhine Westphalia and Lower Saxony and other parts of Germany where slaughter plans have also been drawn up. *Ralph Atkins, Bonn*

■ ISRAEL ELECTRIC CORPORATION

Credit agreement reached

Israel Electric Corporation (IEC), the state-owned electricity supplier, has approved its first unlimited credit framework with a European bank, Deutsche Morgan Grenfell, to ease its access to European markets.

The framework will allow IEC to finance future projects involving purchases from European companies through the bank. The company also approved its first credit arrangement within the framework – DM73m ($40m) to finance a project on a new power plant that will be carried out by Lentjes Bischoff of Germany.

Last year, the company was granted DM457m in credit from German banks, FFr21m ($3.4m) from French banks and SFr39m ($26.3m) from Swiss banks. IEC also raised $425m last month in a Yankee bond offering to finance part of its six-year, $8.5bn development plan last month. *Avi Machlis, Jerusalem*

■ GERMAN TRADE

Kinkel considers Iran policy

Klaus Kinkel, German foreign minister, yesterday said Bonn was considering ways to extend new export credits to Iran. Mr Kinkel said Iran had used up its limit of DM150m ($82m) in Hermes export credits, but German industry was putting pressure on the government to expand the credits.

Mr Kinkel was quoted by the Frankfurter Rundschau newspaper as saying the issue would play "an important role" in the next round of bilateral talks. *Reuters, Bonn*

Republicans' efforts to regroup dogged by rifts

The abortion issue still casts a cloud over party, writes Mark Suzman

At times the arguments at the Republican National Committee meeting in Indian Wells, California, over the weekend grew fierce enough that delegates looked as if they would rather be attending the hotel's other conference: the First Annual Fun and Sun Esthetic Dental seminar.

Speakers from Newt Gingrich, House speaker, to Jim Nicholson, party chairman, made every effort to project an image of vigour and unity at the Republicans' agenda-setting winter gathering. But, despite their best efforts, fractious internal debates, particularly over the ever-contentious issue of abortion, betrayed the Republicans' deep divisions as they struggle to map out a strategy to combat a resurgent President Bill Clinton.

Points of difference ranged from whether to pursue a campaign to scrap the tax code to how to attract more support from minorities, but the real flashpoint was over a form of late-term abortion known as "partial birth abortion".

Although such procedures represent just a tiny fraction of the total, the Republican majority in Congress has twice passed a bill to ban them. Both times the bill has been vetoed by Mr Clinton, and moderate Republican leaders such as Christie Todd Whitman, New Jersey governor, have done the same in their states.

For the party's increasingly vocal social conservative wing that is unacceptable. A group of rightwingers formally proposed that the committee withhold campaign funds from any candidate who would not publicly accept the ban. That caused panic among party leaders, who feared such a test would confirm public perceptions about narrow-minded Republican ideologues, damaging their chances of retaining control of Congress in November's elections.

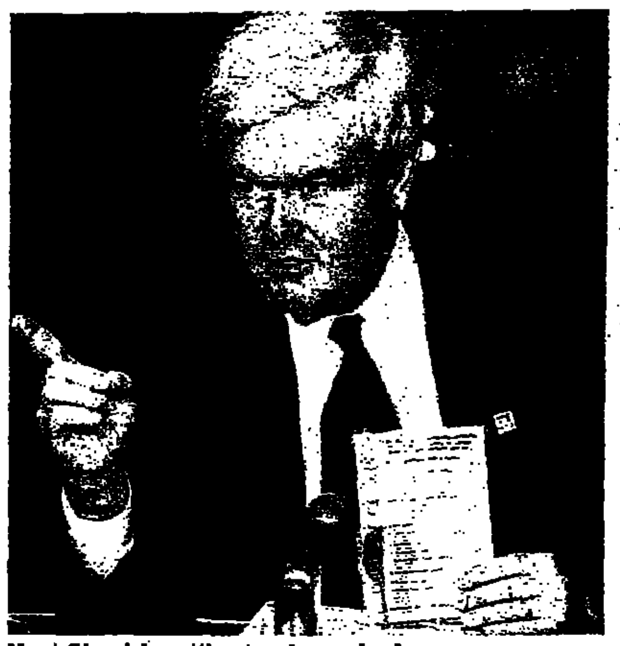
Promoting instead the vision of the party as a "big tent" in which libertarians and religious conservatives can embrace competing positions on some issues while agreeing on others, senior officials ranging from Trent Lott, senate majority leader, to Henry Hyde, influential chairman of the House judiciary committee, weighed in against the measure.

Despite such firepower, the proposal was only defeated by a narrower than expected 2:1 margin, demonstrating its strong resonance among the rank and file. And as an election primary last week for a vacant congressional seat in California showed, the issue is not going away: with the help of last- minute advertising on the abortion issue by religious groups, an outsider who campaigned on opposition to the partial birth procedure narrowly upset a centrist candidate favoured by the Republican leadership.

Amid all the debate there was at least one issue that committee members remained firmly united on: absolute opposition to Mr Clinton. The final compromise resolution adopted on the abortion question blamed him for the whole problem, and he was the butt of countless jokes and bitter comments.

Mr Clinton was also the indirect cause of the committee's one source of unmitigated satisfaction, a formidable campaign war chest for this year's elections. With Democrats hurt by the scandal over fundraising improprieties in the 1996 presidential race, Republicans will be able to outspend their opponents, giving them a critical advantage.

But as Mr Gingrich told the assembled delegates, if the party is going to wrest the political initiative – and the White House – back from the president, it will not be enough simply to react to and criticise his actions. With old Republican issues like a balanced budget and welfare reform now appropriated by a highly popular Mr Clinton, and hence neutralised, they need to look elsewhere.



Newt Gingrich: getting tough on schools

Although tax cuts and the war on drugs continue to resonate, the issue that seemed to garner most enthusiasm from delegates was education. To resounding applause, Mr Gingrich proposed tough standards for failing schools, required teaching in English and extra lessons on the declaration of independence and the constitution to promote civic responsibility.

Nevertheless, given the fact that sixth year elections for two-term presidents normally result in hefty defeats for the incumbent's party, it was notable that few speakers predicted Democratic humiliation in November.

Perhaps the most telling comment of the weekend was when Mr Nicholson praised the party for its willingness to argue over contentious issues and urged the public not to "confuse the debate we have with disarray". With anti-abortion activists already vowing to resume the fight, it seemed an expression of hope as much as conviction.

World Bank builds link with business

By Simon Kuper

The World Bank is to make its first big effort to work with companies on development projects. The bank hopes the move will encourage development agencies to involve businesses in their own schemes.

James Wolfensohn, the bank's president and a former investment banker, is thought to have helped the "Business Partners for Development" scheme overcome resistance among the institution's staff.

Jean-Francois Rischard, vice-president for finance and private sector development, said: "The scheme illustrates a very different World Bank, and a very different world. The public sector isn't hacking it alone any more."

The bank had found it easier to contact chief executives to discuss development issues than for conventional financial matters, he said.

British Petroleum is the first company to have agreed to join the scheme, which will initially involve projects in education, youth, water, and natural resources across 10 countries.

Projects could involve community development around oilfields, or child labour projects near textile plants. Non-governmental organisations and corporations will be involved.

The bank is in talks with several large water and computer companies. In a document sent to interested businesses it says their incentive would be to improve their standing with local communities and employees, rather than to earn profits on the projects themselves.

Mr Rischard said: "Schemes like this may become a very successful way of leveraging up development agencies' business."

The projects might also encourage participating companies to adopt better practices on matters such as education and sanitation. "Big corporations are potentially huge, unexpected carriers of best practice," he said.

Initially the scheme is to last three years. The bank hopes the pilot projects will be followed by larger programmes involving businesses. However, its main aim is to disseminate the idea to companies, governments and agencies that "business partnerships for development can be much more widely used".

Mr Wolfensohn said at a World Bank board meeting on corporate citizenship last May: "There is an inevitable logic that we should come together, and I don't think that the paradigms of this development have been adequately developed."

NEWS DIGEST

Public opinion backs Clinton

American public opinion has shifted towards President Bill Clinton in the sexual harassment suit brought against him by Paula Jones, a former Arkansas state clerk. As the president endured six hours of questioning for Saturday's deposition, a Time magazine/CNN poll said 42 per cent of Americans believed his assertion that he could not remember Ms Jones and had never met her in a hotel room to demand oral sex. Twenty-eight per cent believe her version of the story.

Seven months ago 37 per cent believed Ms Jones and 36 per cent the president.

The president had tried to prevent the case coming to court during his term of office, arguing no president had had to defend himself in such a way. The argument was rejected by the Supreme Court, requiring Mr Clinton to give the deposition, a legally binding account of his version of events that will be used as evidence at the trial. His evidence was videotaped.

The shift in public opinion follows several months in which there has been little news about Ms Jones' allegations. What publicity there has been has focused on her acquisition of a rightwing media adviser.

The White House has had nothing to say. But conscious of the "visuals" to be broadcast on the evening news, the president's media experts switched the location of the deposition from the White House to Mr Clinton's lawyers' office, so that Ms Jones would not be photographed entering the White House.

The polls are certain to change once the trial begins, when both the president's and Ms Jones' sex lives are brought into evidence. Donovan Campbell, Ms Jones' lawyer, yesterday hinted that he intended to reveal "a pattern of harassment" by the president in approaching other women and giving rewards for sexual favours.

Nancy Dunne, Washington

■ CUBAN VISIT

Pope a 'critic of capitalism'

Cuban president Fidel Castro, who will host an historic visit to Cuba by Pope John Paul II on Wednesday, has said he views his visitor not as an anti-communist "exterminating angel" but as a like-minded fellow critic of the problems of capitalism.

In a six-hour television appearance on Friday night the 71-year-old Cuban leader scoffed at what he said was the vision being created by Cuba's enemies in which the Pope was seen travelling to Cuba like some kind of "exterminating angel... to meet the devil Castro in the last bastion of communism".

Mr Castro suggested that, on the contrary, he and the 77-year-old Polish pontiff shared much in common. Since the end of the cold war, he went on, the Pope had become a critic of the social and economic problems of the capitalist world dominated by the US. The Cuban leader praised papal pronouncements on the need to eradicate poverty and inequality, ease the foreign debt burden of developing countries and abolish nuclear weapons.

He acknowledged the Pope's reputation as a past opponent of communist rule in Poland and the former Soviet bloc. But he was sure the pontiff was coming to Cuba with "good intentions" and "in a spirit of friendship".

He called on the Cuban people, even non-Catholics and Communist party militants, to attend the open-air masses planned for the Pope in three provincial cities and Havana's Revolution Square. *Pascal Fletcher, Havana*

■ HONDURAS-EL SALVADOR

Frontier pact to be signed

Honduras and El Salvador will today sign an accord to complete demarcation of their disputed frontier, hoping to put an end to friction over land ownership.

Two-thirds of the border was agreed in a 1980 peace treaty between the two countries, while the rest was apportioned in a judgment by the International Court of Justice in 1992, which allocated about two-thirds of the disputed territory to Honduras.

However, completing the task of demarcation has been slow, with conflicts over land rights between people living in the area. A Honduran government official said only about a third of the border was marked.

The accord to be signed today in Tegucigalpa, the Honduran capital, calls for work to be completed within 12 months, with guarantees for property and nationality rights. The official said there were about 6,000 Salvadoreans in Honduras and 2,000 Hondurans on the El Salvador side of the border. *James Wilson, Panama City*

US targeted in push to boost inward investment

By Stefan Wagstyl, James Buxton and Juliette Jowit

The UK's inward investment agencies are targeting the US to offset a possible decline in capital from crisis-torn east Asia.

Officials say the US, with its buoyant economy, could be a prime source of extra investment as many companies are showing interest in globalisation.

The US is already the UK's biggest inward investor with direct investments of £3.99bn ($6.5bn) – 42 per cent of the total – in the year to last March. South Korea was second with £2.7bn and Japan third with £883m.

US companies accounted for more than half overseas company acquisitions of UK groups – a further £12.5bn.

Inward investment agencies say the US has the potential to invest even more in the UK. They plan to increase marketing in north America, but will not neglect east Asia.

"There is evidence of increasing interest in the US in investing in the UK, said John Bridge, chief executive of the Northern Development Company, the north of England investment agency which has one US office, in Chicago.

Mr Bridge said the interest was particularly strong among American motor component groups looking to establish and expand European operations in response to demands from US carmakers.

Locate in Scotland, the inward investment agency for Scotland, also intends to redouble its efforts in north America. Locate in Scotland has US offices in Stamford, Connecticut, San Mateo, California, Chicago and Houston.

The Welsh Development Agency said it allocated resources according to where opportunities arose and expected to increase its activities in north America in future. Four of its 12 overseas offices are in north America – in California, Massachusetts, Chicago and Canada.

However, inward investment officials say they will continue to encourage east Asian investment. They expect to see a continued reasonably strong flow of capital from Japan, notably reinvestment in existing plants and investments by suppliers expanding operations to keep pace with the big carmakers and electronics companies. They also say countries which have so far escaped the worst of the east Asian crisis – particularly Taiwan – could see increases in investment.

The agencies plan to try to ensure existing investors do not abandon, delay or cut commitments. Hyundai, the Korean conglomerate, has delayed completion of a £1.1bn semiconductor plant in Fife, Scotland. Samsung, another conglomerate, has postponed expansion of its electronics complex in north-east England.

Falling out damages chancellors the most

The chancellor of the exchequer did not sleep comfortably last night. That is not a guess, it is a racing certainty. For if Gordon Brown has one obsessive fear, it is that one day he will fall out seriously with the prime minister.

Were that relationship – so crucial to all British governments but particularly to this one – to disintegrate, there could be only one casualty: Mr Brown.

Less than nine months into the life of this parliament, Westminster is for the second time buzzing with rumours that Tony Blair is displeased with his oldest and closest political ally.

The damaging nature of these rumours can be measured by the force with which Donald Dewar, the Scottish secretary, denied that there was a problem: "The working relationship between the prime minister and their personal friendship is the rock on which this government stands and it is very much still there."

But the private briefings of ministers and officials close to Mr Blair tell a different story. There is no question of Mr Brown being ousted, but they freely admit the prime minister's unhappiness at a new biography of the chancellor, in whose preparation Mr Brown and his close political allies had a role.

Damaging rumours: Tony Blair (left) is said to be displeased with Gordon Brown (right), his oldest and closest political ally

"Tony thinks the book is regrettable," said one. The book was "pointless and silly," said another.

The biography was written by journalist Paul Routledge, a close friend of Charlie Whelan, Mr Brown's press secretary. It is perceived by some ministers, not unreasonably, as the authentic voice of a chancellor who has never recovered from the disappointment of being pipped to the post of Labour leader by Mr Blair in 1994.

The implication that Mr Brown is still crying "it should have been me" is harmful enough to him. But Mr Blair will not have been delighted to have Mr Brown's personal rivalries and animosities raked over in public, especially the chancellor's famously bitter relations with Peter Mandelson, the minister without portfolio and another of the prime minister's coterie of confidants.

So ministers have been going around for the past week sucking in their breath, wringing their hands and pondering "why Gordon allowed the book to happen".

Part of this is pure schadenfreude, a concept which could have been invented with the current cabinet in mind, given the number of ministers who resent the success of their colleagues.

But whatever the motive of ministerial briefings to newspapers, the outcome is damaging to Mr Brown. Mr Blair was reported, for example, to have chastised indirectly the chancellor in Thursday's cabinet meeting, when he urged all ministers to play as a team.

Mr Blair did say this, but the interpretation most present put on it was a warning to ministers against making disloyal statements about the controversial millennium dome and Mr Mandelson's management of it.

The Observer newspaper said it had received a briefing from "someone who has an extremely good claim to know the mind of the prime minister". This savant described the chancellor as suffering from "psychological flaws" and poor judgment.

"If Gordon has any sense, he will ignore all that rubbish and just get on with the job," said a senior minister who counts himself as a supporter of the chancellor. But the precedents for Mr Brown shrugging it all off are not encouraging.

In the autumn, there were the faintest hints of a rift between Mr Brown and Mr Blair over the government's approach to European monetary union. Mr Brown's response was a notorious briefing to *The Times* newspaper by Mr Whelan.

According to senior ministers, the Eurosceptic tone of that briefing was designed explicitly to prove that the pro-European chancellor was at one with the more pragmatic prime minister. "We had to kill the idea that there was a problem between them," said a government member close to Mr Brown.

To many of his colleagues, changing Emu policy to dampen mischievous gossip looked like the use of sledgehammer to crack a nut. So one said last night: "Heaven only knows what he will do this time."

Robert Peston

Brussels probes BSkyB on cable

By Cathy Newman

The European Commission is conducting an investigation into the way BSkyB, the pay-TV company, supplies its programming to the cable industry.

It has asked Oftel, the telecommunications watchdog, and the Department of Trade and Industry for information.

The inquiry follows a complaint from General Cable, the UK's fourth largest quoted cable operator. The company met a Commission representative in November to complain about the amount BSkyB charges cable operators for sports and film channels.

Both Oftel and the DTI have had recent discussions with the European regulator about BSkyB's pricing tactics and the market in which it operates.

General Cable went to the Commission after finding the UK authorities unsympathetic to its case. The Office of Fair Trading cleared BSkyB's rate-card, which determines the company's terms of programme supply, in 1996. The decision angered the cable industry, which has held BSkyB partially responsible for mounting losses.

General Cable claims BSkyB's high charges have forced it to increase its subscription costs, which has deterred customers from signing up to cable.

Viewers receiving pay-TV by satellite pay £20.99 ($34) for BSkyB's basic channels and one "premium" sports or film channel. Cable operators pay about £17 for a similar package. To make a profit of £10 per subscriber, General Cable charges £27 for basic channels and one premium channel.

Neither Oftel nor the DTI would comment, but Commission sources confirmed discussions with the UK regulators and all interested parties were continuing.

BSkyB's share of an interactive television venture, British Interactive Broadcasting, has also generated controversy. BIB, in which British Telecommunications and BSkyB both have a 32.5 per cent stake, has been held up by a Commission investigation.

The European regulator repeated its concern last week that the coalition of two dominant players such as BT and BSkyB could stifle competition.

Blair in plea to Sinn Féin on talks

By George Parker, Political Correspondent

Tony Blair will today meet Sinn Féin leaders in an attempt to maintain momentum in the Northern Ireland political talks, against a background of renewed sectarian killing in the province.

Mr Blair will urge Sinn Féin, the political wing of the Irish Republican Army, to rethink its rejection of the joint London-Dublin proposal for a settlement, which includes plans for a new set of institutions to govern the province. The talks resume today in Belfast against a background of heightened tension caused by the murder of a Catholic man by the Loyalist Volunteer Force, a breakaway terror group.

In a separate development, Ray Seitz, the former US ambassador to London, claims in a new book that John Major's former administration stopped passing sensitive information to President Clinton "because it always seemed to find its way back to the IRA".

He also accused Jean Kennedy Smith, the US ambassador to Dublin appointed by Mr Clinton, of becoming a "promotion agent" for Gerry Adams, Sinn Féin president.

The White House said it had full confidence in Mrs Kennedy Smith. The UK government said any problems between London and Washington were in the past.

The UK government yesterday announced a surprise third meeting between Mr Blair and Sinn Féin leaders.

Mr Blair's official spokesman said: "The meeting should be seen as part of the ongoing discussions between the prime minister and those involved in the talks process."

The blueprint drawn up by London and Dublin, and broadly welcomed by most other parties in the province, includes the creation of a Northern Ireland assembly, a joint north-south ministerial council and a "council of the isles" including representatives of Ireland, Northern Ireland, Scotland and Wales.

Martin McGuinness Sinn Féin chief negotiator, said the party would go into today's talks to oppose the joint proposals: "These propositions, heads of agreement, were presented to the talks table from the barrel of unionist and loyalist guns."

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National Treasury 5⅜% Gtd Nts 1999 $53.75
Do Gtd Cap FRN 2001 L86493.0
Anglian Water 11.5p
Banco Real 7⅞% Nts 2000 $393.75
Do 8⅛% Nts 2001 $406.25
Belhaven Brewery 2.1p
Bellway 6.5p
Bett Brothers 4.85p
Courtaulds 4.6p
Exchequer 9¾% 1998 £4.875
Fenner 3.5p
Halifax 11% Sb bd 2014 £1100.0
Lloyds TSB FRN 1998 £188.02
Do Sb FRN 2006 £19.74
Mitsui Int Fxd/FRN 1999 Y222760.0
Northern Investors 2p
Oriental Restaurant 1.2p
SCA 4¼% Gtd Cv Bd 2004 Ecu42.50
Telefonica de Espana Pta40.0
Treasury 2% IL 2006 £2.25
Utilitec 0.4p
Whitbread 6.82p

■ TOMORROW
Assoc Nursing Services 1.05p
BTM Fin (Curacao) Dual Basis Gtd Bd 2004 $56250.0
Do Dual Basis Gtd Bd 2006 $60000.0
Bradford & Bingley Bldg Scty 11⅝% Perm Int Brg £581.25
British Steel 11½% Db 2016 £5.75
Concentric 5.14p
Crown Eyeglass 4.5p
DBS Mngmnt 1.4p
Ferraris 2p
Hazlewood Foods 2.6p
Do 7½% Cm Ptg Pf 2.625p
Hogg Robinson 4.07p
M & G Inc Inv Tst 1.15p
Do Geared Units 1.15p
Do Package Units 1.15p
Shelton (Martin) 1.25p
Tams (John) 0.5p
York Waterworks 4.55p
Do A 4.55p

■ WEDNESDAY JANUARY 21
Australia & New Zealand Banking A$0.26
BTM Fin (Curacao) 7% Gtd Bd 2002 $70000.0
Bradford & Bingley Bldg Scty FRN 1999 £186.81
Cirqual 6.25p
Cosalt 7.15p
Danka Business Systems 1.56p
Falcon 3.5p
Hewetson 2.25p
Osborne & Little 9p
Thorn B 0.562602p

■ THURSDAY JANUARY 22
Car Group 3.12p
Critchley 4.5p
Dailywin 0.3162p
Dairy Crest 3.5p
Ensor 0.25p
Exchequer 12% 1999/2002 £6.0
Invesco Blue Chip Tst Treasury 4⅛% IL 2030 £2.3953
Societe Generale Equity (CI) High Yld Pf Equity Rd 18.491p
Sweden 13½% Ln 2010 £67.50
Treasury 11¾% 2003/07 £5.875

■ FRIDAY JANUARY 23
Abacus Polar 4p
Airsprung Furniture 1.95p
Asset Mngmnt Inv 1.5p
Atkins (WS) 2.7p
BAA 4.9p
BPB 3.8p
Bandt 0.4p
Bath Press 0.19p
Berisford 4.5p
Break for the Border 0.7p
Carr's Milling 8.5p
Close Bros Protected VCT 1.1p
Close Bros Venture Cap Tst 2.2p
Do C 2p
Denby 3p
Dragons Health Clubs 0.66p
Drummond 0.5p
Foreign & Colonial Smaller Co's 1p
Golden Castle Euro-Fin Gtd Asset-Bckd FRN 2004 $154.68
IWP Int IR2.42p
John Lewis 10⅜% Bd 1998 £1037.50
Do 10½% Bd 2014 £1050.0
Martin Currie Smaller Co's Tst 1.2p
Scottish Oriental Smaller Co's Tst 0.67p
Stirling 0.68p
Tex 4p
Toyo Ink 7% Bd 2002 Y700000.0
YTB Fin (Aruba) Gtd Sb FRN 2003 $1638.75
Yorkshire Water 6.15p

■ SUNDAY JANUARY 25
Housing Sec 8⅜% Db 2019 £4.1875
Leicester 7% Ln 2019 £3.50
Salford 7% Ln 2019 £3.50

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Cosalt, 1, Paternoster Row, E.C., 12.00
BOARD MEETINGS:
Finals:
Fairfield Enterprise
Cardiff Property
Interims:
Adscene
Ashtead
MITIE

■ TOMORROW
COMPANY MEETINGS:
Abtrust High Inc Tst, 99, Charterhouse Street, E.C., 12.30
Concentric, Belfry Hotel, Lichfield Road, Wishaw, 2.30
BOARD MEETINGS:
Finals:
Usher of Trowbridge
Interims:
Barbour Index
Bucknall

■ WEDNESDAY JANUARY 21
COMPANY MEETINGS:
Alvis, Savoy Hotel, Strand, W.C., 12.00
American Opportunity Tst, 10, Park Place, S.W., 12.00
Avon Rubber, Bath Spa Hotel, Sydney Road, Bath, 2.30
Berisford, Radisson SAS Portman Hotel, 22, Portman Square, W., 12.00
BOARD MEETINGS:
Finals:
Lorien
Ultraframe
Watson & Philip
Interims:
SFI

■ THURSDAY JANUARY 22
COMPANY MEETINGS:
Airtours, Hilton Hotel, Manchester Airport, 11.30
Burton, London Marriott Hotel, 10, Grosvenor Square, W., 11.00
Euromoney Publications, London Capital Club, 15, Abchurch Lane, E.C., 2.30
MEPC, BAFTA, 195, Piccadilly, W., 12.00
MY Hldgs, Windlebrook House, Guildford Road, Bagshot, Surrey, 10.00
BOARD MEETINGS:
Finals:
First Leisure
Lonrho
Interims:
Daejan Hldgs.
McKay Sec
Menzies (John)
Ransom (Wm)

■ FRIDAY JANUARY 23
COMPANY MEETINGS:
Denby, Exchange House, Primrose Street, E.C., 10.30
BOARD MEETINGS:
Interims:
WF Electrical

Company meetings are annual general meetings unless otherwise stated.

Reports and accounts are not available until six weeks after the board meeting to approve preliminary results. This list is not comprehensive since companies are not obliged to notify the Stock Exchange of announcements.

CONFERENCES & EXHIBITIONS

LANGUAGE COURSES

THIS WEEK

The etiquette of snow-shovelling

It was the sound of scraping that provided the first clue. *Scratch, scratch, scratch,* came the noise from the street at the crack of dawn in Tokyo last week.

Intrigued, I poked my head out of the window. I was greeted by the sight of what appeared to be the latest consequence of the El Nino weather system: a very rare and massive dump of snow in Tokyo.

The scraping was by neighbours who had begun chipping the five-inch deep snow away. But this was not the type of snow-clearing exercise one might see in London or New York. Instead of simply scraping away ice from their cars or own doorsteps, what was on display was a striking demonstration of civic duty.

In front of every house the inhabitants had marked out a neat square of pavement and road they apparently considered to be their own. Within this area, householders had all decided – without anybody organising them – to shovel the snow away simultaneously. "Nobody makes us do this," explained one. "But we feel it is a duty."

This "duty" extends way beyond snow. It encompasses a pattern of written and unwritten rules that circumscribe life in Tokyo and the rest of Japan. These rules are alternately baffling, delightful and frustrating for foreigners like myself.

Take the case of rubbish. On my first shopping trip in Tokyo, I tried and failed to buy an ordinary rubbish bag. The reason was that I did not recognise them: Japanese bags are not black or green, as I knew them in the UK. Instead they are made of see-through plastic.

There is a good reason. Japan

DATELINE

Tokyo: The way neighbours have responded to a recent snowfall illustrates Japan's special sense of 'duty', writes Gillian Tett

has a commendable system of ecologically aware rubbish collection, which demands that burnable rubbish be put into one bag, non-burnable into another, tins into a third, and "large" items in a fourth. Each type is collected on different days. If an unwary householder puts out the wrong rubbish, it will not be collected. Clear plastic means that anybody who breaks the rules can be spotted – and then, of course, publicly embarrassed.

On my first week I mixed the days up. A neighbour pointedly returned my bag to the doorstep while I was out. Reluctant to carry it up four flights of stairs, I left it on the street the next day. But the bag was returned again. Finally, I sneaked out under cover of darkness and guiltily deposited it in a skip two blocks away.

But these rules do have their advantages. Tokyo's streets are largely rubbish-free. Crime is famously rare. And in the autumn the pavements are leaf-free: every household collects leaves from the pavements in front of their houses.

And the rules have an insidious way of becoming habit, even for someone with anarchic instincts like myself. When I first arrived in Japan nine months ago, I used to smile at the fact that the Japanese rarely cross a road if the pedestrian signal is red, even if there is not a single car in sight. Now I tend to obey the traffic lights myself. When on one recent occasion I accidentally put a can in the wrong bin in a train station, I felt so guilty that I spent several nasty seconds fishing it out again.

But the rules that inspire such sensitivity to one's fellow citizen have their downside too. The lack of flexibility sometimes comes at the cost of common sense. On a recent trip to the mountains, for example, a group of us tried to visit a hot-spring baths. The resort in question blatantly needed extra custom. But we had arrived minutes after the official closing time. And though the staff was still on duty, our money was refused. Rules, they explained, were rules. They had to be followed irrespective of Japan's current economic downturn.

Inflexibility also means impressive displays of civic duty go hand-in-hand with administrative incompetence. The mountainous areas of Japan are well-equipped to cope with snow: the roads, for example, are cleared of snow by an ingenious scheme by which water from hot springs is sprayed on to the tarmac.

But in areas that do not expect snow, the unexpected brings near paralysis: finding grit for the roads in a hurry, for example, seems quite beyond the Tokyo government. Last week's snow – the second dump in two weeks – left 400 injured, roads snarled up and Japan's train service cancelling half its services.

And even the citizens' snow-clearing programme has a catch. In the streets around my house last week, there appeared to be another unwritten "rule": though everybody diligently cleared the square in front of their own house, they would not – on any account – go beyond their strictly defined area.

The result was a few lethally slippery patches were dotted along what was an otherwise clear pavement. Perhaps these danger spots were in front of uninhabited buildings. But most likely they marked out – as clearly as any advertising board – exactly where the foreigners lived.

The Monday Profile: Tom Stallkamp

Mr Procurement shifts gear

Keeping Chrysler afloat has always required a bit of the showman. Lee Iacocca, the group's legendary chairman in the 1980s, made, and then almost broke, the company before turning to politics and beyond.

More recently, Bob Lutz, its imposing ex-Marine vice-chairman, has cornered the market for big personalities with his larger-than-life antics.

Even vice-presidents have made themselves famous in Chrysler's transformation into America's most creative and profitable carmaker. Tom Gale was already rated as a designer before turning to management; François Castaing, the group's former engineering supremo, was French – enough alone to stand out in dreary Detroit.

Tom Stallkamp, by contrast, was banal Mr Procurement. He dealt with parts companies to lower prices and raise quality – all essential in an industry where components account for about two-thirds of the cost of a vehicle. But hardly the stuff to set pulses racing.

On January 1, Stallkamp found himself centre stage with his appointment as president. Elevation to the group's second slot – heir-apparent to chairman Bob Eaton – came in recognition of Stallkamp's achievement in driving down costs, often outsourcing to suppliers and co-operating with them to improve quality.

"Outsourcing", now in the mantra of every car company, arrived early at Chrysler. The company was helped by the fact that it was never as vertically integrated as GM or Ford, removing some of the vested interests that obstructed outsourcing elsewhere. But Stallkamp also pushed co-operation with suppliers much further than his rivals.

His efforts contributed to profits which were the envy of Motown. Although half the size of Ford and one quarter that of GM, Chrysler's margins were fatter than both, and its earnings, at best, bigger than the two combined. Stallkamp, a 51-year old Pennsylvanian whose father was chief engineer at the Babcock and Wilcox power engineering group, plays down the accepted wisdom that his prowess as a purchaser won him the president's spurs. But triumphalism has never been part of his public vocabulary.

"We're going to continue to run the company as a team," he says. There will be no corporate blood-letting. Even after this month's management changes, the executive group which has steered Chrysler to its present peaks is intact, with the exception of Castaing, who is leaving after 10 years but remaining as a consultant.

Stallkamp argues that his ability to thrive in Chrysler's team-based culture was a big factor in his promotion. "We spend a lot of time networking, and that's not going to change."

He sees the president's job in less than romantic terms. He will run the shop day-to-day, leaving Eaton to concentrate on strategy, government contacts and international issues. "I'm the fellow looking after the farm while the estate owner can focus on the larger scale," he says.

Stallkamp keeps responsibility for purchasing and supply, but line management goes to Tom Sidlik, formerly head of Chrysler's financial subsidiary. Stallkamp also has charge of engineering, sales and marketing.

There will be no big change of direction. "What I'd like to do is have a greater emphasis on speed, whether in improving quality, developing products or just the way we do business."

He stresses the need for Chrysler to remain nimble to distinguish itself from GM and Ford. "Chrysler got to where it is by being able to recognise or create new segments. We can't just follow the crowd – that's what got Chrysler into trouble. We always try to go our own way. There are no secrets in this; our job is always to be faster."

But Stallkamp's advancement comes as times have got harder. Profits in 1997 fell as the relentless model-renewal drive of recent years hit a lull. And the company's reputation for creativity has been usurped as GM and Ford revitalised their products.

They have even experimented with the sort of attention-grabbing PR stunts, such as driving a Jeep Grand Cherokee up the steps and through the plate glass windows of Detroit's Cobo exhibition hall, that were previously Chrysler's forte. Even the stock market has shifted allegiance, with analysts tipping Ford and GM for its recovery potential while stressing the challenges Chrysler faces to stay ahead.

Stallkamp says there is plenty of product in the pipeline. "I don't think we've lost momentum. It was very hard to keep up the onslaught of new products every three months." One reason for the apparent pause is that Chrysler's focus shifted back to basics, with the renewal of its engines and gearboxes.

With the widgets out of the way, the company will move back to launching new cars. This month's Detroit motor show provided a taste of what is to come, with some sleek new saloons and three new concept vehicles.

"The new LHS range and the 300M [coming to continental Europe this autumn] represents the first real full model cycle since Chrysler introduced its strategy of basing group models on shared platforms in 1993. We've really come full circle."

Haig Simonian

FT GUIDE TO:

CREDIT RATING

You don't normally hear much about credit rating agencies. But recently they seem to have been under attack, particularly over the Asian crisis. Why is that?

All three global credit rating agencies – Standard & Poor's, Moody's Investors Service, and Fitch IBCA – have come off badly from the crisis in Asia. None successfully anticipated either the occurrence or the scale of the upheavals in south-east Asia and South Korea. As recently as last September, for example, Korea enjoyed a sovereign credit rating of AA minus – the same as many west European countries. Korea's rating has subsequently been downgraded to the same level as countries such as Pakistan and Jordan. Since the agencies trade on their reputation as the ultimate arbiters of a country's creditworthiness, recent events have tarnished their credibility in many eyes.

No-one anticipated the turmoil in Asia. So why are people singling out the rating agencies?

That is not entirely true. The International Monetary Fund has also been attacked for its allegedly poor forecasting record.

And, for obvious reasons, Asia's governments have themselves received a lot of flak. But it is true that the rating agencies have borne the brunt of criticism for their failure to predict the crisis.

One of the reasons is that many investors, including banks, pension funds, portfolio managers and insurance funds, rely on credit ratings as a vital source of information on where to allocate their money. Some US funds, for example, are debarred from investing in speculative grade companies or countries – in the case of S&P and Fitch IBCA – with grades of BBB minus or below; and for Moody's, Baa3 or below. Such is their influence that rating agencies can actually affect the performance of a borrowers' debt by either upgrading or downgrading its rating.

Surely investors could just ignore the agencies and make up their own minds?

In an increasingly globalised economy this simply is not practical. In the days before capital markets were as pervasive as they are now, companies and countries had little choice but to go to the bank if they wanted to raise debt. The bank would then conduct an in-house credit analysis on the financial health of the borrower and price the loan accordingly.

Nowadays it's all much more sophisticated. Borrowers often want more money than a single bank can provide. Many are, in any case, unhappy with the conditions banks often attach to loans.

It would be much easier, they say, to raise the money from hundreds, or even thousands, of anonymous investors by issuing a bond. Since it would be commercial lunacy for each investor to undertake a separate assessment of the borrower, rating agencies do the job on their behalf.

This gives the agencies enormous power over borrowers, doesn't it?

The agencies would argue that this power is more apparent than real. In the case of well-known borrowers, agencies often do little more than confirm what the markets already know. Few would be surprised, for example, that the World Bank has a Triple-A rating, while the Republic of Kazakhstan has a sub-investment grade rating. If an agency suddenly downgraded the World Bank to AA minus it would have to come up with a pretty convincing reason.

Much of what the agencies do, in other words, is to convert conventional wisdom into a grading system. Critics argue that there is a more subtle problem. Contrary to what you might expect, agencies derive most of their income from the borrower rather than the investor. They charge the borrower a fee in exchange for a rating. Such are the benefits of having a credit rating that few borrowers pass up the opportunity. Detractors say this compromises the independence of the agencies by making it difficult for them to downgrade important customers, such as governments.

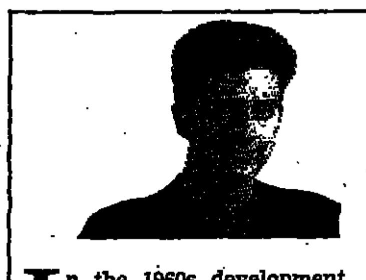
Is this why the agencies took so long to downgrade Korea and the others?

No. Nobody's reputation has emerged unscathed from this crisis. Flick through the research papers published by the leading global investment banks on Asia as recently as last October and you'll realise the banks are in no position to criticise the agencies – although many have. Nevertheless, it must be harder for an agency to downgrade an important sovereign borrower, such as Thailand or Indonesia, than to raise the alarm over a troubled mortgage bank or an ailing property developer. The stakes are that much higher. In their defence, the agencies say that they – along with the rest of the world – were lulled into a false sense of security by the low external public debt of most Asian governments. This caused them to underestimate the dangers of high private-sector dollar-denominated debt and to overlook the pitfalls of the fact that such a high proportion of these liabilities were short-term.

Does that mean that investors will rely less on the agencies in future?

Probably the opposite. International capital markets are growing rather than shrinking in importance as companies compete more and more outside their domestic markets. The volume of complex securities transactions – including convertible bonds, asset-backed issues, securitisations and other forms of debt – is growing rapidly. Agencies rate tens of thousands of securities every year. It is hard to see who could replace them. There is, perhaps, room for new rating agencies to take advantage of the diminished reputation of the top three and possibly even challenge their dominance.

Edward Luce



Robert Chote · Economics Notebook

A safari into a growth area

Output per head in sub-Saharan Africa has risen steadily since 1995

In the 1960s development economists had high hopes for Africa, with one leading textbook rating its growth potential ahead of east Asia's. Alas, these hopes have been cruelly dashed: output per head has fallen in much of Africa since 1960 and living standards have slipped further behind those in Asia and Latin America.

But in the past few years there have been tentative signs of improvement. After falling at an average rate of 2 per cent a year in the early 1990s, output per head in sub-Saharan Africa has risen by more than 1 per cent a year since 1995. Inflation, public-sector borrowing and current account deficits have meanwhile declined over the same period.

In a paper prepared for the American Economic Association's recent annual conference in Chicago, economists from the International Monetary Fund argued that these improvements should not be dismissed as the result of fortuitous changes in external circumstances. "Rather, they appear to result mainly from improved policies in a number of countries," they argued.*

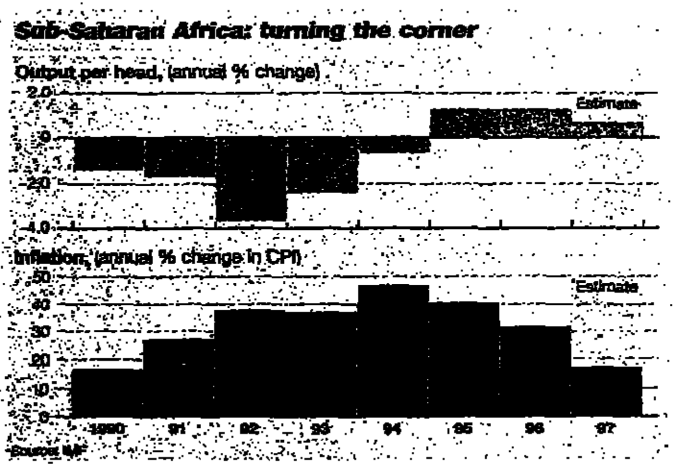
Needless to say, performance has differed from country to country. In 12 countries output per head has continued to fall. Armed conflicts have prompted particularly sharp declines in Burundi, Central African Republic, Comoros, Congo and the Democratic Republic of Congo.

But Angola, Benin, Botswana, Ivory Coast, Equatorial Guinea, Ethiopia, Guinea Bissau, Lesotho, Mauritius and Togo have all enjoyed growth in output per head of more than 2 per cent a year between 1995 and 1997 – 4 per cent on average as a group.

In three of these countries, rapid growth has resulted from special factors – the exploitation of newly discovered oil reserves in Equatorial Guinea and recovery from armed conflicts in Angola and Ethiopia. But in the other eight better policies appear to have yielded results.

The policy reforms in the better performing countries have taken several forms. Non-tariff trade barriers have been eliminated and import tariffs reduced. Domestic price controls have been liberalised, some inefficient monopolies have been dismantled and many state enterprises have been privatised. Exchange rates have been freed, exchange controls lifted and credit markets liberalised in many countries. Government spending has also been reduced as a share of national output, reducing budget deficits and taming inflation.

Reform was certainly needed. Bad policies help explain why Africa's growth performance has been so much weaker than that of other continents. A recent study in the *Quarterly Journal of Economics* notes that economic growth should have been 1.1 percentage points higher each year in Africa than east Asia since 1960, simply because Africa had more room to "catch up" with richer countries by exploiting superior foreign technology and higher returns to investment. But in fact growth in Africa was 3.4 percentage points *lower* each year than in east Asia.



The *QJE* study argues that 2.6 percentage points of the growth differential can be explained by a set of seven policy variables. These include high budget deficits, big black market exchange rate premia, low infrastructure investment, poor education, shallow financial markets and pervasive political instability.

But why have bad policies persisted for so long in Africa and why might things have changed for the better over recent years? The answers to these questions might tell us whether the recent improvement in Africa's economic performance is likely to persist or whether the continent has simply embarked on what will prove another false dawn.

The *QJE* study argues that Africa has been plagued by worse policies than east Asia – and that its growth performance has suffered accordingly – partly because of greater ethnic diversity. "Ethnic diversity alone explains between one-fourth and two-fifths of the east Asia/Africa growth differential and may fully account for some extreme country cases."

Ethnic diversity might cause problems for various reasons. Conflict between ethnic interest groups may delay macroeconomic stabilisation or the removal of black market premia. Corruption may be more damaging if several groups take bribes. Different groups may impose taxes independently at levels which – added together – are far above economically desirable levels. Education may also be difficult to provide if the wishes of ethnic groups differ.

All but one of the world's 15 most ethnically diverse nations are found in Africa, partly because of how European colonial powers negotiated national borders in the 19th century. Kenya illustrates the problem: when political power passed from the Kenyatta ethnic coalition to the Moi coalition in 1978, resources for road-building, healthcare and the like were shifted from the former's homeland to the latter.

But if ethnic diversity has helped explain poor policy-making for decades, why the apparent recent improvement? Mohsin Kahn, one of the IMF authors, argues that policy-makers have been spurred into action by globalisation and shrinking flows of overseas development assistance.

The IMF authors argue that Africa will have to make further reforms to sustain the recent rise in growth, especially reforms that will raise the continent's investment rate. This means improving infrastructure, legal systems and public services, as well as further liberalising trade, tackling corruption and strengthening financial systems.

This is a challenging agenda and one which will have to be underpinned by a political culture that does what it can to prevent ethnic diversity from impeding the reform process. But as aid flows continue to dwindle – and reliance on foreign investment increases – the pressure will remain intense and the rewards for success great.

**Africa: Is this the Turning Point? by S Fischer, E Hernandez-Cata & M S Kahn, IMF 1998.*

***Africa's Growth Tragedy: Policies and Ethnic Divisions, by W Easterly & R Levine, Quarterly Journal of Economics, Nov 1997.*

e-mail: Robert.Chote@FT.com

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 18.01.98 — Final Prices for Trading on 21.12.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.63	15.65	15.92	1.06
0100	18.87	23.00	23.27	1.06
0130	27.22	38.21	38.49	1.06
0200	27.22	23.00	23.27	1.06
0230	27.22	15.65	15.92	1.06
0300	18.67	15.65	15.92	1.06
0330	46.23	15.65	15.92	1.06
0400	46.23	15.42	15.69	1.06
0430	19.21	15.42	15.69	1.06
0500	18.87	14.78	15.05	1.06
0530	21.16	14.55	14.83	1.06
0600	17.57	14.55	14.83	1.06
0630	18.00	14.55	14.83	1.06
0700	18.00	14.55	14.83	1.06
0730	11.55	14.55	14.83	1.06
0800	11.55	14.55	14.83	1.06
0830	11.55	14.55	14.83	1.06
0900	18.00	16.24	16.51	1.06
0930	18.00	17.41	17.68	1.06
1000	18.00	17.41	17.68	1.06
1030	20.29	17.41	17.68	1.06
1100	20.29	17.41	17.68	1.06
1130	20.29	17.41	17.68	1.06
1200	20.29	17.41	17.68	1.06
1230	20.29	23.00	23.27	1.06
1300	20.29	23.00	23.27	1.06
1330	20.29	17.41	17.68	1.06
1400	20.29	17.41	17.68	1.06
1430	19.20	17.41	17.68	1.06
1500	12.10	17.41	17.68	1.06
1530	11.50	17.41	17.68	1.06
1600	11.55	17.41	17.68	1.06
1630	19.20	20.98	21.26	1.06
1700	19.20	22.24	22.51	1.06
1730	26.25	40.00	40.28	1.06
1800	52.15	40.00	40.28	1.06
1830	52.15	28.14	28.41	1.06
1900	29.00	22.24	22.51	1.06
1930	26.26	23.43	23.70	1.06
2000	19.20	21.68	21.95	1.06
2030	19.20	20.92	21.19	1.06
2100	19.20	20.98	21.26	1.06
2130	19.20	19.77	20.04	1.06
2200	12.20	17.41	17.68	1.06
2230	12.10	17.41	17.68	1.06
2300	19.20	16.24	16.51	1.06
2330	12.20	16.24	16.51	1.06
2400	12.05	16.24	16.51	1.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6780 between 8.30am and 5.15pm Monday to Friday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 19.01.98 — Final Prices for Trading on 22.12.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.20	16.24	16.24	1.06
0100	19.20	16.24	16.24	1.06
0130	19.20	19.15	19.16	1.06
0200	19.20	19.15	19.16	1.06
0230	19.20	16.24	16.24	1.06
0300	51.34	16.24	16.24	1.06
0330	19.20	16.24	16.24	1.06
0400	19.20	16.24	16.24	1.06
0430	19.20	16.24	16.24	1.06
0500	19.20	16.24	16.24	1.06
0530	22.00	18.35	18.36	1.06
0600	12.10	11.03	11.03	0.00
0630	12.10	11.03	11.03	0.00
0700	12.20	18.35	18.36	1.06
0730	36.73	18.97	18.98	1.06
0800	41.04	27.70	27.71	1.06
0830	37.03	30.23	30.24	1.06
0900	41.35	42.84	42.86	1.06
0930	43.70	43.59	43.61	1.06
1000	49.61	54.14	54.17	1.06
1030	49.63	54.15	54.18	1.06
1100	49.64	54.14	54.17	1.06
1130	49.74	43.60	43.62	1.06
1200	49.84	43.59	43.61	1.06
1230	46.57	43.57	43.59	1.06
1300	46.43	43.56	43.57	1.06
1330	46.21	37.84	37.85	1.06
1400	46.09	37.83	37.85	1.06
1430	44.15	37.83	37.84	1.06
1500	44.10	37.83	37.84	1.06
1530	44.15	37.86	37.86	1.06
1600	44.90	41.93	42.05	1.06
1630	62.86	54.58	56.24	1.06
1700	79.23	109.07	112.23	1.06
1730	133.64	113.81	117.45	1.06
1800	129.75	109.40	112.35	1.06
1830	75.97	62.70	64.18	1.06
1900	59.83	57.61	58.12	1.06
1930	45.74	54.14	54.28	1.06
2000	43.09	37.94	37.98	1.06
2030	43.52	43.29	43.30	1.06
2100	42.42	33.12	33.13	1.06
2130	38.86	32.14	32.15	1.06
2200	37.12	31.08	31.09	1.06
2230	35.58	23.50	23.51	1.06
2300	21.76	23.50	23.51	1.06
2330	27.36	19.06	19.07	1.06
2400	21.59	18.97	18.98	1.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6780 between 8.30am and 5.15pm Monday to Friday.
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Boots has learnt the value of looking behind the cosmetics of earnings figures alone, says **Tony Jackson**

Registering the value of cash

When shares in Boots, the UK retailer, fell 6 per cent last Tuesday in response to its quarterly earnings, it is unlikely that the directors were unduly put out. Boots is a fanatical believer in value-based management. It therefore reasons that short-term financial upsets scarcely matter: and indeed, that earnings are a pretty useless way of measuring value anyway.

Boots was one of the earliest adherents of value-based management outside the US. Its chairman Lord Blyth claims that with a few fellow-pioneers such as Lloyds Bank and the information group Reuters, it is still in a small minority. "Even today," he says, "you could list on the fingers of one hand, or at most two, the companies in this country which are genuinely managed for shareholder value."

So what does Boots' experience tell other companies? Its conversion to value-based management, in 1990, was scarcely to be envied, being a response to the damaging purchase of the retail group Ward White (see below).

As defined by Boots, the guiding principle is simple: to maximise, over time, the cashflow value of each of its businesses. That value is in turn determined by the excess of cashflow over the cost of capital.

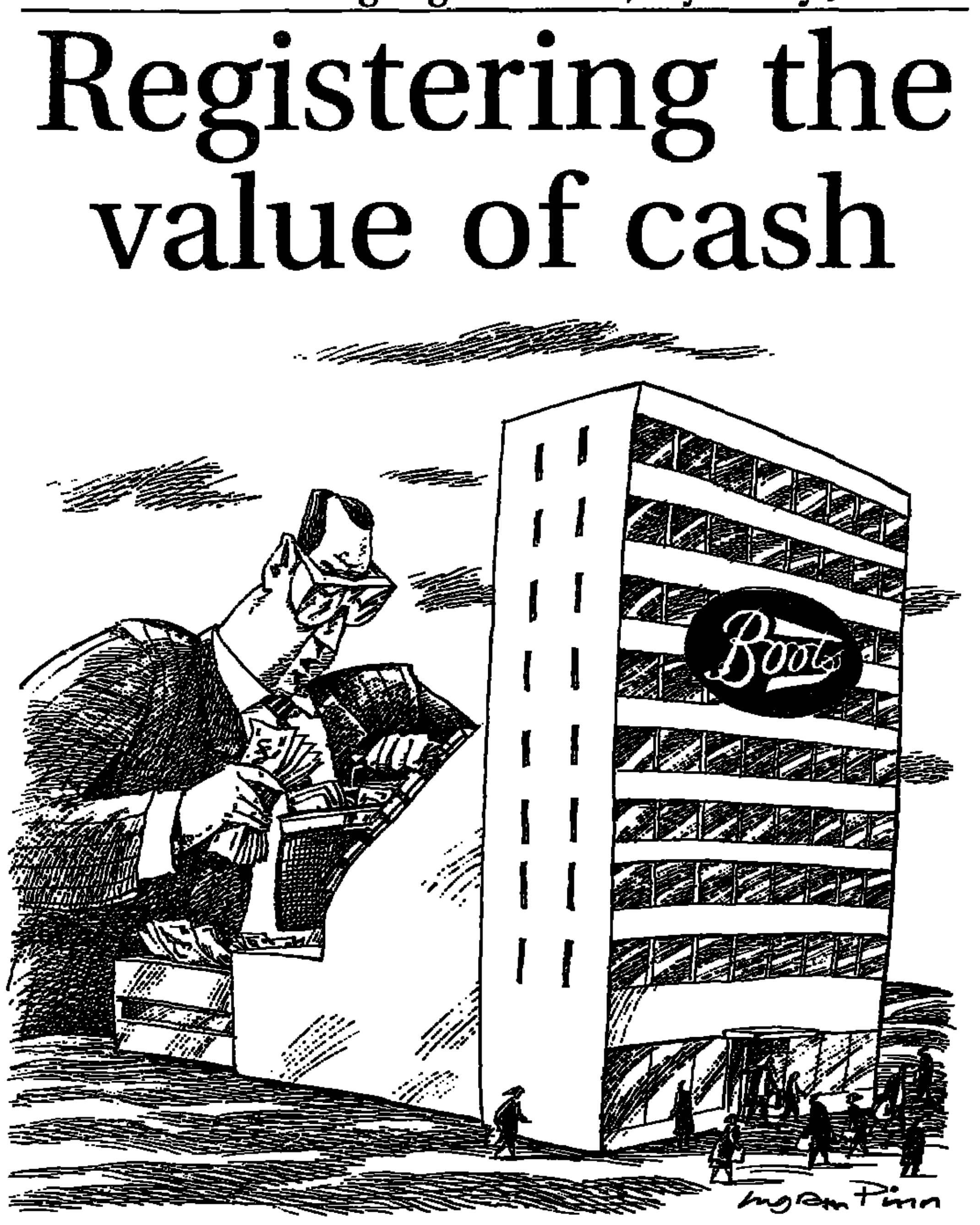
The principle is applied in some unusual ways. The group's sprawling main site outside Nottingham employs its own gardeners, caterers and firefighters. In each case, Boots maintains, the decision was tested against its value-based model.

The site's electricity comes from a power station built two years ago for £19m. The alternatives were to refit an older station for £11m, or take power from outside. When run through the model, the most expensive option showed much the highest discounted cashflow.

The result was a slight dent in reported earnings. According to David Thompson, finance director, this is the test of commitment to value. "Most companies won't accept that," he says, "because it damages the cosmetics of the earnings stream."

The origins of Boots' own commitment lie in the late 1980s, when a handful of executives, including Mr Thompson, became intellectually drawn to the concept of discounted cashflow.

Lord Blyth, who arrived as chief executive in 1987, says he had been trained in the importance of cashflow in his early days in the oil industry. But he was struck by the lack of information: Boots was only just beginning to distinguish the cashflows from its individual businesses.



Then came the Ward White debacle, and action became imperative. Boots turned to the US consultant Marakon, whose value-based management system was duly adopted.

The system starts, Mr Thompson says, by analysing the competitive position according to the so-called "five forces" of the Harvard academic Michael Porter. That is then checked and re-checked in terms of its financial characteristics.

"Through that process," he says, "you identify the five or six things which really make a difference to the business, and which of those are most capable of being levered by management. Out of that come the alternatives."

This last point is what Boots terms its secret weapon. Any proposal to the board, as in the power station case, must contain at least three alternatives.

"The managers are clear," Lord Blyth says, "that they have a contract with me to maximise value, and that I will be dissatisfied if I only see one option. What we don't want is to be presented with chosen solutions graven on tablets of stone."

Given Boots' length of experience with the system, it is natural to ask what problems they met along the way. The first, Mr Thompson says, was capturing hearts and minds. "We've had a lot of difficulty," he says, "with people within Boots who were brought up to believe in things like market share and sales per square foot."

The difficulty is in inverse proportion to the success of the business. "If a business formula has worked for a number of years, it's human nature to say if it ain't broke, don't fix it."

But it is essential, Lord Blyth says, to apply the discipline without exceptions. "If you don't pursue it absolutely from the top of the organisation down, it will fail. The buggers will always find a way to duck through a side door if you give them half a chance."

Boots originally planned to link senior managers' bonuses to the system after three years. In the event, it did so after one. "You need to get remuneration tied in very early," Lord Blyth says. "Otherwise, you're sending conflicting messages."

Some other tips from the Boots stable:

- Forget about budgeting. It represents a rival approach to value-based strategic planning, and works on a shorter timescale.
- Abandon resource allocation. The logic says that if a proposal adds value, it should be pursued regardless of demands for capital elsewhere in the group.
- Forget the distinction between capital and revenue expenditure. "Whether you're building a plant or investing in Christmas advertising," Lord Blyth says, "it's all cash, and requires a return."
- Do not be diverted by short-term financial blips. The odds are they do not affect the future. "You may worry about a bad Christmas," Lord Blyth says, "but you must not do anything which will jeopardise 1999."
- Remember that the key to shareholder value is giving investors pleasant surprises. That, Boots says, is how it has managed to double its value in the past four years, while the market has only doubled in six. Those surprises mostly come from your best businesses. "If you look at the average media report on a company," Lord Blyth says, "you would infer management effort should be focused on fixing problems. It should be focused absolutely on improving returns on businesses which are doing well."
- Be realistic about the fact that not everyone has the intellect to grasp the system. "We've come to understand," says Lord Blyth, "that at some point in the management chain, you have to convert value creation into analogues: contribution per square metre of store space, output of plastic bottles per machine or whatever. The trick is to make sure that the analogues are aligned with the basic principle."
- Finally, accept that it is a very long process. "We're still only learning about this," Mr Thompson says. "We're value-friendly. We're by no means value-maximising."

From hindsight to forecasts

Boots' 1989 acquisition of Ward White was controversial from the outset. At £900m, the price was equal to a third of Boots' own value. It was quickly apparent that Boots had overpaid.

Faced with the same position today, Lord Blyth claims, Boots would still have pursued Ward White, whose broad retail portfolio – from paint to bicycles – seemed an answer to the supposed maturity of Boots' chemist shops. Value-based management, though, would have stopped it paying too much.

"The strategic fit was perfectly sound," he says, "but the price was delivered by a very inaccurate forecasting model. We could do our forecasts very much better today, because we are focused on how you create value.

"Previously, we looked at the likely growth in the market, what share we could take of that, what it would deliver in earnings and whether the deal would be earnings neutral. Frankly, that was all we were bothered about."

Now, Boots claims to care little about historic data. "We manage the business entirely through forecasts these days," Mr Thompson says, "and that means looking at the range of possibilities which might occur."

A crucial part is studying the competitive forces in the market place, and the strengths and weaknesses of individual players. With Ward White, Lord Blyth says, Boots badly underestimated the ability of the dominant retailer in the UK do-it-yourself market to defend its position against Ward White's DIY subsidiary.

This approach is not unique to value-based management. But the system itself, Mr Thompson says, is nothing new. It simply brings together various managerial disciplines which have been around a long time.

Another such discipline is cashflow. In the aftermath of Ward White, Lord Blyth says, "we were obsessed with getting everything on to a cash flow managed basis: that, and how to recover our position with institutional investors."

The effect of a business blunder was to strengthen the case for change. "The upside of Ward White," as Lord Blyth puts it, "was having a bunch of people in the same place at the same time, all of whom believed the same things."

MY SECRET WEAPON

Peter Mead on principles

It's not that we are a soft touch

Peter Mead, who began his career as a messenger, co-founded Abbott Mead Vickers BBDO in 1977. He is chairman of the UK-based advertising and media group, which made pre-tax profits of £14.5m in 1996.

It all starts with a central set of beliefs and principles: if you try to do good work and look after your people, then success and money will follow. A lot of people say "of course you make money by looking after people". But they put money first. It sounds a semantic point but the order is important.

I would hate this to sound like a moral crusade. It really isn't. Part of the philosophy of the place is that you must validate your beliefs by making money. Although it is the third element of the mix, it has to be there. Otherwise any fools can indulge themselves.

Over the years, I have learned that if you treat people properly, it is commercially sensible. In the recession, we took the view that our people were not a flexible overhead and we did not cut our staffing levels.

It is not that we are a soft touch and no one gets fired here. That is not true. People have been fired here. But when that happens, they have always been treated fairly.

I take the view that we are always at least 50 per cent responsible for them working here. Why should it always be seen as their fault and not our fault? In football it is astonishing how football chairmen have fired managers with impunity. If the chairman was picking those managers, where does his share of the responsibility lie?

In the '80s and early '90s, one felt a bit of a dinosaur. Everyone was talking about downsizing, re-engineering and all those techniques. In the '80s, achievement was all and the means of achievement was nothing. Now there is a greater degree of sensitivity. The pendulum is beginning to swing back the other way.

It is all about capturing an unfair share of peoples' heads and hearts. If 50 per cent of the time, people are worrying about losing their jobs, you need twice as many of them. If you can increase the amount of time they are thinking about work to 75 per cent, the level of productivity is mind-blowing.

There are not enough managers who understand the ephemeral part of the balance sheet as well as the real side of the balance sheet. For instance, they say that moving to a new building will cost an extra overhead. But what they need to ask is "how much better are people going to feel?" That affects their productivity and well-being. We firmly believe that. But it is difficult to measure. It is all about instinct.

Instinct is a much underrated management technique these days. That is because it can't be measured, evaluated or written down. In this age of management consultants and MBAs, it is becoming a weapon that is falling into disuse. But I respect gut feel in people. It is one thing I don't feel I can argue with.

Niceness is not going to work with everybody. There are managers who believe in keeping people off-balance and at odds with each other. They believe that out of conflict comes an energy that drives their business forward. I happen to believe the reverse.

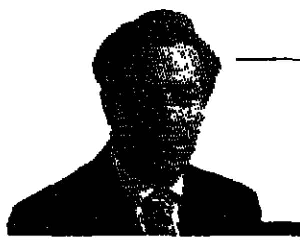
I suspect one of the great management techniques is consistency, letting people know where they are. Even if you are unpleasant, as long as you are consistently unpleasant, people know where they are. They are not off balance all the time.

People who don't respond to our sort of philosophy tend not to come here. There are people who say it is all too comfortable and there is not enough conflict. They are not going to be seduced by what they believe is a rather sissy view of the world.

The real danger for us is complacency. The greatest danger is that you start to believe your own publicity. It is not as if you can relax. Every day you have to take the view that it can all go through your fingers like sand. You have to be self-critical. You constantly have to try to reassert what you believe in.

Interview by Vanessa Houlder

A lesson in transactions from the wallet test



John Kay

How much will you pay me for the contents of my wallet? It would be sensible to begin by considering how much cash someone like me would be likely to have on them at any time. Fifty pounds, perhaps. So you should knock off a bit to compensate for the uncertainty and give you a margin for profit. Why don't you offer £35?

Some further thought – any further thought – should warn you that this is not a sensible proposal to make. If I accept your offer with alacrity, you can be sure that there is less than £35 in my wallet. If, on the other hand, I turn the offer down, then the likely reason is that my wallet has more than £35 in it. This is a no-win transaction for you. At any price at which I am willing to sell, you ought not be willing to buy.

But no one, you might think, would be foolish enough to get involved in a financial transaction of this kind. After all, my example is simply a pointed demonstration of the first lesson in finance: do not buy a financial instrument from someone who is better informed about its value than you are.

There is an elaborately documented modern theory of transactions in markets subject to asymmetric information which elucidates more clearly the problems which such issues raise. But the basic principles have been familiar for centuries, if not millennia.

Still, these principles seem to be easily forgotten in every wave of speculative euphoria. They were forgotten by Peregrine Securities when it bet the bank's capital in the reassuringly named Steady Safe bus and taxi company in Indonesia.

They were forgotten by western investors when they jumped into emerging market bonds. And by many of those who believed – no doubt correctly – that China and the countries around it are the wave of the future.

Michael Milkin made his reputation, and his fortune, from a piece of research which showed that the extra returns from low-quality debt were more than enough to compensate for the additional risks involved. But the theory of markets subject to asymmetric information would even then have explained why there was a crucial difference between the junk bond market he analysed and the one he invented.

Traditionally, most junk paper was not intended to be junk. It was debt incurred by the Russian government when the power of the tsars had seemed impregnable: securities issued by companies with fine reputations and credit ratings which had subsequently fallen on hard times. Such bonds were traded in a secondary market between people who were more or less equally ignorant about the likelihood of a return of the Romanovs to the throne.

You should always ask why a well-informed vendor is willing to sell speculative paper at that price

You would expect the price of such junk to reflect a general expectation within the market of the probability that the debt would indeed be repaid. People who were more than averagely optimistic would buy from people who were more than averagely pessimistic. If there were no systematic bias in these expectations, or in the way in which the market worked, then the return from a diversified portfolio of junk bonds should be much the same as the return from a portfolio of blue chips.

But there are at least two possible sources of such systematic bias. It is likely that even a diversified portfolio of junk bonds will be riskier than a comparable portfolio of investment grade securities, and with greater risk comes greater reward. To compare returns properly, they need to be adjusted for differences in risk.

But there is another reason why even risk-adjusted returns from junk bonds may be high. There are a lot of people who exclude themselves entirely from the market for low quality paper – regardless of its price. After all, that is what the phrase "investment grade" means: bonds that are acceptable to buy and you won't be fired for purchasing them, even if they go wrong.

But if the security is below investment grade, everyone will find it easy, in the event of failure, to be wise after the event. Better not to have such securities in your portfolio. And if demand for junk securities is limited because most investing institutions stay away, the price will be lower and the expected rewards greater: just as the profits from brothel-keeping and drug-dealing are greater than from other businesses because many people are unwilling to engage in these professions, or are frightened off.

The more recent market for junk is rather different. Issuing houses – like Drexel Burnham Lambert or Peregrine Securities – were selling paper that was junk from the day of its issue. Now there is a big difference between buying junk in a primary market and buying it in a secondary market.

It is one thing for you and me to trade paper whose value is contingent on the prosperity of the tsar. It is quite another to buy such securities from the tsar himself. You should expect that he will be over-optimistic about his prospects of retaining the throne. And even if he is entirely realistic in his own personal projections, you can be sure that he will be over-optimistic in describing them to prospective owners of his debts.

Which is why engaging in such transactions is like buying the contents of my wallet. The asymmetry of information between the parties is fundamental to the transaction. It may often be the main reason why the transaction occurs. If you are tempted to buy speculative paper, you should always ask why a well-informed vendor is willing to sell at that price.

And that is why there is rarely a sustainable market for securities which are priced to reflect their high risk. There are good reasons why the spreads on securities may not exactly match the risks involved even in otherwise efficient markets. If you must back a horse, don't bet with the trainer. Especially if the trainer's horses are described as tigers.

The author is the Peter Moores director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

Building a name for yourself

Norma Cohen on whether property companies can develop strong brands

From sports shoes to accountancy services to pop groups one thing really matters: brand name. It is the intangible that adds value to the good or service, an intangible increasingly being translated into a cash value in corporate balance sheets.

But some goods and services have proved impervious to branding efforts so far. One that stands out is property.

Conventional wisdom in real estate has long held that buildings are successful or not according to their own merit. Properties are too distinct, too different from each other, to allow the growth of a brand image. Properties are not fungible: even two identical buildings would have different values depending on their location.

"There is no such thing as branding in property," says Mike Slade, chief executive of Helical Bar, a UK property developer with more than 30 years of experience. "I defy you to look at any out-of-town retail park and tell me who does what." Mr Slade argues that one shopping centre is much like another in construction and design. "Any branding is that which the retailer who occupies the site brings," he says.

Mr Slade's view has been the prevailing one. And for good reasons. A quick look at the portfolios of any of the larger UK property companies reveals assets so diverse they could belong to any developer.

But property companies and their advisers are beginning to think more closely about branding. Stephen Barter, head of consulting at chartered surveyors Richard Ellis, says that for the first time serious thought is being given to the issue.

So long as property companies are seen only as packaged income streams, like government bonds, the brand question does not arise. Once they are viewed as companies, then the considerations that arise for, say, car manufacturers or cleaning services, are relevant for them too.

These include a manufacturing-production capability, distribution, marketing, sales and customer service. Then branding becomes an issue.

"The point of branding is to identify the particular thing you are selling in people's minds so that they remember it," says David Haigh, managing director at Brand Finance, a brand valuation company. "It should simplify the consumer's decision-making process."

The question is: what exactly does it mean to be branded? The property itself? Or the environment around that property? And to whom is the brand image directed? The consumer – the tenant, in the case of property – or the provider of capital on whom the property company depends?

"Normally people talk about branding in a consumer context," Mr Haigh says. "But there are other contexts." Business-to-business branding, for example, is increasingly important.

Stuart Lipton, chief executive of Stanhope, builders of the Broadgate complex in the City of London and of the new development at Paternoster Square, says he has attempted to develop a Stanhope brand. This is associated with the sense of community generated by a certain style of office and retail complex that makes people more comfortable in their working environment.

Arlington Securities, one of Britain's premier developers of business parks, has striven for an appearance of continuity throughout its portfolio. Although individual business properties are built for each customer, the company uses a short-list of suppliers of building materials so that the range of building tiles, for example, on one estate is the same as at the others. Each features a lake in the centre and the same approach to landscaping.

Even those who do not believe property can normally be branded, concede there is one name that does amount to a brand: Paul Reichmann. The Canada-based developer of Battery Park City in New York and Canary Wharf in London is associated with blue-chip properties that raise standards for buildings all around them.

Even those who do not think property can be branded agree that at least one name does amount to a property brand: Paul Reichmann, developer of London's Canary Wharf (left) and Toronto's One Canada Place

"Paul Reichmann is the mega-brand," says Philip Wright, global head of the shareholder value unit at Price Waterhouse in London. "Reichmann says: 'I change the face of cities.' In order to be a brand, it must add value to the rental price," says Mr Wright. In the case of the Reichmann developments, the quality of the properties increases rents.

Jeremy Newsum, chief executive of Grosvenor Estates, the company that manages the lands of the Duke of Westminster, says: "I am absolutely convinced that there is such a thing as a Grosvenor brand name. We're spending quite a bit of time thinking about what it is."

The company has recently made investments in Asia in partnership with some of the most prestigious investors there, a decision Mr Newsum believes was aided by the Grosvenor brand name. "It's the heritage, the quality of the assets, and the integrity of management that go into the brand," he says.

William Saunders, founder of New Mexico-based Security Capital Group, one of the US's largest property companies, says the branding is not in the property itself, but in the service the operator wraps around it.

"Property is really a service industry," he argues. His company's strategy has been to offer a full range of maintenance and support services to occupiers of its sites. For example, tenants of Security Capital's industrial warehouse properties are offered computerised inventory control systems. These are designed to ensure that tenants never have to send a truck out of the warehouse with less than a full load.

When an tenant wants a new, larger facility, Mr Saunders hopes he will first turn to Security Capital to see whether stock is available.

That is one way of adding value through a brand, says Mr Wright. But, he argues, branding can have the same beneficial effect even when tenants are unaware of it.

Providers of capital are equally appropriate targets of branding, according to Mr Wright. For instance, investors associate Land Securities, the UK's largest listed property company, with conservative and judicious finance and investment. Chelsfield is associated with a more entrepreneurial style of management and development. In that case it would be "the development potential of the company you would be branding", he says. "The provider of capital will pay for the brand if he thinks he will get more in the end for it."

But *how much* more is a subject of debate. Mr Haigh believes that, with property, added value from a brand image is limited. "In most industries, there is an element of name recognition that helps you to do more and charge more for it. In some industries, it's so obvious it's tangible," he says. "In property, it probably is there, but much less so."

Why customers are rocking in the aisles

Richard Tomkins on how US retailers are extending their products to the in-store music

"You like the brassiere, ma'am? Then why not buy the CD?"

Most people are familiar with the kind of background music that subliminally sets the tone of shops, restaurants and other retail outlets, but few would have thought that anyone would want to buy an album of it.

In the US, however, piped music CDs are becoming big business. Growing numbers of retailers are finding that customers enjoy that overhead sound so much that they actually want to hear it at home.

One of the first retailers to make the discovery was Victoria's Secret, a lingerie company with nearly 800 stores across the US. In 1988, Victoria's Secret started selling compact disc and tape cassette compilations of the classical music playing in its stores.

To say the venture was a success would be an understatement. Astonishingly, of the 11 classical albums in history that have sold more than 1m copies in the US, five are from the Victoria's Secret collection.

Other US retailers that have witnessed the Victoria's Secret phenomenon are now releasing their own albums, usually featuring edited highlights from the pop, rock or jazz music playing in their stores.

Much of the music is "retro", harking back to earlier eras. "Martini Lounge", the latest CD from Pottery Barn, a home furnishings chain, features tracks such as "Fever" by Peggy Lee and "Ain't That a Kick in the Head" by Dean Martin.

But some companies use more up-to-date material. The Guess? clothing chain's CD, selling in its 80 US stores and through its web site, features tracks by artists such as Blur, London Suede, Bomb the Bass and Hooverphonic.

Keynote: furniture store Pottery Barn's latest offering

Old Navy, a clothing chain owned by the Gap group, has so many own-label titles in its stores – about 12, at the last count – that it has set up listening booths so that customers can sample them. Its CDs and tapes include rock and roll compilations, dance collections and Motown hits.

Starbucks, a big coffee house chain, has produced 16 jazz, blues and world music titles since March 1995, and now has its own in-house music department to make CDs and background music programming. But many other retailers hire AEI Music, a Seattle-based in-store music company, to do the work for them.

Pam Melin, AEI's director of consumer products, says retailers have a strong incentive to sell own-label CDs because the albums carry profit margins of 70 per cent or more and take up very little space.

"But for many of our clients, the margins are considered secondary to the benefits of having their signature sound in the customer's home," Ms Melin says. "It really is a unique way for retailers to extend their brand name and their brand identity into the homes of their customers."

One obvious reason why people buy these CDs is that retailers, knowing their customers' taste in clothes, find it easy to gauge their taste in music.

People who shop in Gap's Banana Republic clothing chain, for example, are typically baby boomers, so it is a safe bet that they will like the 1960s tracks by Lulu, The Troggs and Strawberry Alarm Clock on the store's "In the Mix" CD.

In-store CDs also make life easy for people who do not know what to buy when they enter a record store, or do not like visiting them at all, Ms Melin says.

"It's a very comfortable, natural, impulse purchase to be in a clothing store buying a few things, see a CD at the point of sale, and say: 'Wow, yeah, I enjoy the music that's playing in here. Wouldn't it be great to have that at home?'"

Telemarketing hang-ups

US phones are going unanswered. **Victoria Griffith** explains

Pamela Docters, a New Jersey mother of three, doesn't answer her telephone most weekday evenings. She is avoiding the telemarketers. "That's when they figure you'll be at home," she explains.

Lisa Waugh of CNN, the cable news station, says she and her husband have two telephone numbers – one is unlisted and given to friends and family, the other they do not answer. "People can leave a message if they need to," says Ms Waugh. "But it's nice to avoid those pesky folks asking for money or trying to sell you something."

Just as door-to-door salesmen were once maligned, telemarketers are the new people Americans love to hate. Resentment has risen to such a point it may be threatening the industry.

Rudy Oetting, telemarketing consultant, predicts that after years of tremendous growth, the business may be reaching saturation in the US. "I think we're nearing the point that a correction will be necessary," he says.

If so, telemarketing will become a victim of its own success. In the US, where the industry is most established, consumers bought \$174bn (£106.7bn) in goods from telemarketers in 1996, compared with \$135bn in 1992, according to the Direct Marketing Association.

Established telemarketers worry that numbers like these have attracted inexperienced businesses into the arena. "There are a lot of questionable practices out there that have given telemarketers a bad name," says Betty Sweeny, vice-president of new business development for the Bank of New York, a heavy telemarketer.

While many people complain about being disturbed at home, most Americans have purchased at least a few products over the telephone. Telemarketers say the way pitches are made is key to success. "People make so many mistakes in this area," complains Joyce Covatto, president of Teletron, a big telemarketing outsource company.

Common errors, say consultants, include calling the same person too many times and not knowing enough about the potential customer. "You should know the person's age, location and occupation wherever possible, so that you're not offering a frequent-flyer credit card to someone who has never set foot on an aeroplane," says Ms Covatto.

Ill-prepared telemarketers botch the pronunciation of names and read in a monotone from a prepared script. Mr Oetting says he received a call recently from a telemarketer offering supplemental medical insurance. When he said he already had such coverage, the woman continued as if he had not spoken. "She should have asked me what product I was using and then explained how their product was superior," says Mr Oetting. "She hadn't been prepped for my answer."

Teletron puts customers into three categories: the alphas, people who are happy to receive calls; the betas, those who are annoyed but willing to listen; and the deltas, those not open to telephone pitches. Says Ms Covatto: "The deltas should be left alone."

Tim Jackson · On the Web

Online translation free for all

It is easy to make fun of the French politicians who rail at the Anglocentrism of the web, but you can understand how they feel. The position of English in the struggle for linguistic primacy has been increased tremendously by the internet. Even the European Union, formerly a bastion of Francophony, turns increasingly to English.

A helpful defence for speakers of other European languages was covered in this column last year. Aleph.com, a company based in San Francisco, maintains a stable of 3,000 freelance translators dealing in dozens of different language pairs who can turn around documents by e-mail in hours to clients worldwide.

But Aleph's service offers little to the casual web surfer, trying to do research among the millions of English or tens of thousands of other-language web pages.

Now there is an alternative. AltaVista, the search engine service created by Digital Equipment, launched an online translation service last month which is free. Accessible at *www.altavista.digital.com*, the service can translate text on the fly, back and forth between English and Spanish, Portuguese, Italian, German and French. It can translate 500-word gobbets of text that you cut and paste on to a web form.

The translation is done by machine, using software provided by Systran, a French company that mainly serves governments and large corporate clients.

When I looked at the Friday afternoon news from Agence France-Presse on the Le Monde web site (*www.lemonde.fr*), there was an interesting nugget from Baghdad. This is how it came out in English: "L equips with experts of UNO directed by the American Scott Ritter left Baghdad Friday without to have achieved its mission, whereas two permanent Member States of the Security Council proposed to increase their participation in the missions of disarmement."

To anyone unfamiliar with machine translation, this may seem laughably lame. But it is not bad at all. "Disarmement" was untranslated presumably as it didn't appear in the Systran dictionary; "whereas" was probably written as "while" by an English-speaking journalist. But the item is comprehensible. It is clearly a useful service.

The idea of offering free machine translation across the web came from Louis Monier, chief technology officer of AltaVista – and bore fruit in only three months when he was introduced to someone from Systran.

AltaVista has several good ideas for best use of the service. As well as translating technical papers and news bulletins, it recommends users to translate a query into another language, search for web pages in that language, and translate again. That allows users to study foreign-language sites in their own language.

Systran's alliance with AltaVista has two strong points. It brings the company years of user feedback in only weeks. And the site promises revenue. Enterprising webmasters have already put buttons on their web pages that generate automated translations, without requiring the surfer to go to the AltaVista site and back.

Then there is advertising. The going rate for page impressions varies between \$10 and \$100 per 1,000. If the service became popular outside the English-speaking world, it may yield tens of thousands of dollars a day in ad sales.

The concern of Systran and other translation software companies must be that ad revenue will be dwarfed by the possible losses of sales of a desktop product. But that is probably wrong. Instant, zero-cost translation makes the product available to millions of users who would otherwise never contemplate buying it.

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BUSINESS TRAVEL

Travel Update · Roger Bray

Future perfect

Access to the internet and e-mail from bedrooms will be the single most important influence on business travellers in their choice of a hotel, a report predicts. At present, high-tech communications are not even ranked in their top 10 priorities. The survey, conducted on behalf of the Inter-Continental hotel chain, found the three most persuasive factors at present were a quiet room, clean surroundings and control over room temperature and humidity. In future, the report predicts, the safety of the hotel's location, and the availability of non-smoking rooms will rank second and third respectively.

Canada storms

Following the recent ice storm in eastern Canada, travellers to Montreal should check the latest advice from the UK Foreign Office (www.fco.gov.uk/). Downtown Montreal has been badly disrupted, and many rural areas could be without power for several weeks. Life is almost back to normal in Ottawa, but at the end of last week the capital's rail link with Montreal remained closed.

Heathrow link

A new rail link between Heathrow Airport and London's Paddington Station opens today. Journey time will be 30 minutes to Terminals 1, 2 and 3, and 35 minutes to Terminal 4. Called Fast Train, the service is free until Sunday night for anyone with a valid air ticket; after that, a one-way fare of £5 applies. This is a truncated version of the long-planned Heathrow Express, which is scheduled to begin in June and take only 15 minutes. When the full service begins, trains will run straight to the terminal.

Electronic tickets

British Airways is to introduce electronic ticketing for flights between the UK and Germany by the end of this month – its first offer of ticketless travel to destinations outside the UK. BA's partner, Deutsche BA, will provide the same service. Passengers carrying only hand luggage will be able to get boarding passes from machines at most of BA's UK departure airports, as well as in seven airports in Germany – at Berlin, Frankfurt, Cologne, Munich, Dusseldorf, Hamburg and Stuttgart. The airline is expected to extend the option to its French services in the next few months.

Beirut stopover

Business travellers keen to take a look at the renaissance of Beirut are offered a one-night stopover by Middle East Airways. For $75 (£46), passengers flying to other destinations in the region can break their journey and stay in a four-star hotel. Fares cover airport transfers and a choice between dinner or a visit to the theatre or casino.

Debonair hub

Low-cost carrier Debonair is to set up base in Calabria, southern Italy. On February 1 it will start flights from Lamezia and Reggio to Turin, Bologna, Florence and Rome. Debonair's existing hubs are at London's Luton, Barcelona and Munich. Plans to construct a bridge linking Sicily with the Italian mainland and the development of a seaport at Gioia Tauro will lead to "unprecedented demand" for flights between north and south Italy, according to Franco Mancassola, chairman and chief executive.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	10	9	10	10	[illegible]
Hong Kong	14	18	20	21	21
London	4	6	7	7	[illegible]
Frankfurt	6	2	2	2	0
New York	3	3	1	4	[illegible]
L. Angeles	17	18	18	19	20
Milan	10	11	9	10	[illegible]
Paris	6	4	4	5	5
Zurich	4	0	0	2	[illegible]

Information supplied by Meteo Consult of the Netherlands. Maximum temperature in Celsius

CLUB CLASS

The crisis has made the region better value for visitors, says **Amon Cohen**

The flip side of the Asian coin

Asia's economic crisis is causing havoc right across the region. But someone always seems to benefit from others' misfortunes: this time it is the turn of the business traveller.

The cost of visiting the region is lower than it has been for years. British travellers are doing best of all, thanks to the particularly strong performance of sterling.

Few Britons in their right minds would have gone to Japan earlier in the 1990s unless their company were paying. Now, with the yen at about 215 to the pound, prices have halved since three years ago, and Tokyo is in many respects cheaper than London or Paris. A subway ticket within the city centre costs the equivalent of 74 pence, while a 2km taxi ride costs £3.40. A set lunch is as little as between £3.00 and £5.50.

In some of the worst affected countries, westerners are being helped not only by favourable exchange rates but by actual price cuts. It is reminiscent of the Gulf war period in Europe, with stories of travellers walking into hotels and haggling down the rate.

Gavin Greenwood, senior Asia analyst at Control Risks Group, the security consultancy, cautions that hotels are trying to offset the damage by charging in US dollars. Guests should make clear when they arrive that they intend to pay in the local currency, he says.

Tony Hughes, chairman of the Guild of Business Travel Agents, says a good deal can also be arranged from home, particularly for hotels in Hong Kong, South Korea, Thailand, Indonesia and Malaysia, which saw frenetic hotel-building. The downturn means there is a considerable over-supply of rooms.

"Asian hotels are trying to maintain their published rates but a good corporate travel agent will be able to get you a deal behind the scenes," says Mr Hughes. After big increases over the past three years, even airfares are starting to fall. "There has been a definite softening on certain routes," says Mr Hughes. "Hong Kong has decreased dramatically and Tokyo is also down."

It may be cheap, but western companies must decide whether it is worth visiting the Asia-Pacific region at all. Bankers are being kept busy with restructuring deals and some long-term energy projects have survived. But shrinking capital and depressed exchange rates make prospects grim for most exporters.

Panos

Seoul: foreign visitors may benefit from the financial crisis

"Everyone in the region is scaling back, particularly in defence, civil engineering and property development," says Mr Greenwood, co-author of Outlook, Control Risks Group's annual security survey, published this week. "There may be cheap rooms but there may be no point in taking them."

Outlook also warns foreign companies based in the region to be wary of growing xenophobia. "Anger is [in part] likely to be directed at foreign or minority groups who appear to have benefited from the crisis or who are deemed responsible for imposing unpopular measures to restore economic viability and confidence," the report says.

Mr Greenwood believes westerners will have the roughest ride in South Korea. "The Japanese are usually the *betes noires* of the Koreans. That could change if western companies go cherry-picking among Korean companies," says Mr Greenwood.

"The Koreans quite rightly have a high self-regard for their economic achievements and they fear that everything they have built up is going to be taken over. They are tough people and are likely to prove so in retreat, so this is where westerners might feel uncomfortable in 1998."

Fortunately, discomfort is not likely to escalate into threats to personal safety. Violence in the region is more likely to be directed towards ethnic minorities, especially the Chinese, says Mr Greenwood.

Nor does Mr Greenwood believe that western companies will fall victim to arbitrarily punitive actions. "The whole weight of the measures imposed by the likes of the International Monetary Fund is on the only way out being through exporting. That will be difficult enough without harassing foreign companies," he says. "However, that may change during the eventual recovery phase when expectations are rising again."

Visitors to the region should be sensitive to the effect of the crisis on their hosts, as the boot may yet return to the other foot, and be used to punish foreigners who exploited or offended the locals during the hard times. Says Mr Greenwood: "It would be counter-productive for business people to go to the region and try to rub anyone's noses in it."

Why alliances are just the ticket

Airline partnerships offer many benefits for their customers, argues **Gillian Upton**

Last July a new kind of airline ticket office opened. The office, in London's Conduit Street, is a shop window for Air Canada, Lufthansa, United and SAS, the four biggest partners in the Star Alliance, the travel industry's biggest airline grouping. The two remaining partners, Thai and Varig, have offices nearby.

The opening represents a real consumer benefit. If a traveller has a combination of flights, it provides one-stop ticketing.

Before that office opened, I was as cynical as everyone else about airline partnerships. A consolidation of airline power did not augur well for the consumer. How could it? Dominant or monopoly positions in the skies would limit choice, as it would offer little opportunity for new carriers or existing airlines to compete with anything but a token service. Unprofitable routes would disappear and smaller carriers servicing them would go to the wall. And business travellers would never see lower fares.

Lower fares are taking a while to happen, but other benefits are obvious. Airlines are now reaching more passengers in a more cost-effective manner, by using aircraft more efficiently and cutting costs from shared facilities, such as joint sales offices. "The benefits on the costs for the airlines are huge," says Chris Tarry, transport analyst with Dresdner Kleinwort Benson.

Stephen Egli of Delta Airlines believes there has been some movement on ticket prices. "The market dictates pricing so it's difficult to pinpoint examples, but round-the-world fares are incredibly inexpensive and you can still pick up the frequent-flyer benefits."

I am still not entirely convinced, but I can see the benefits arriving. One of the most popular is the increased flexibility of frequent-flyer programmes, which means that points accrued on one partner can be used for benefits such as upgrades and free flights with the others.

And because alliance partners are consolidating ground facilities, passengers are benefiting from developments such as access to more lounges and through check-in and baggage transfers to the final destination.

Alliances did not get off to a good start, which has fostered their negative image. Badly matched codeshare deals were struck, and the concept was not communicated well enough to passengers, who were often annoyed and occasionally shocked by the reality of the arrangement.

Under codesharing deals, one airline can sell seats on another while maintaining its own code and flight numbers. That is fine when the two airlines are of a comparable standard, but that has not always been the case.

Emirates, for example, cancelled its codeshare with Cyprus Airways after complaints that the Cypriot carrier's business class was not a patch on that of Emirates. Another short-lived link was the one between TWA, the US carrier, and Malev, the Hungarian airline.

In the short term at least, business travellers will benefit from greater convenience and services. More pennies in their pockets, however, may take a bit longer.

ARTS

OPENINGS

LAUSANNE
The development of Pointillism is the subject of an exhibition opening on Friday at the Fondation de l'Hermitage. Tracing the influence of Seurat on a whole generation of young painters, it includes more than 100 works from public and private collections in Europe and the US.

LONDON
Inventing America, the Barbican's year-long celebration of American culture, gets underway this week with two exhibitions and a concert performance on Sunday of John Adams's *Nixon in China*. The two exhibitions are a display of the world's best customised Harley-Davidson motorcycles (above right) and a selection of decorative arts from one of the oldest Shaker communities in the US.

The London Sinfonietta's 30th birthday celebrations reach a climax this week with an Elliott Carter programme tonight and a benefit gala on Saturday, featuring John Tavener's *The Whale*.

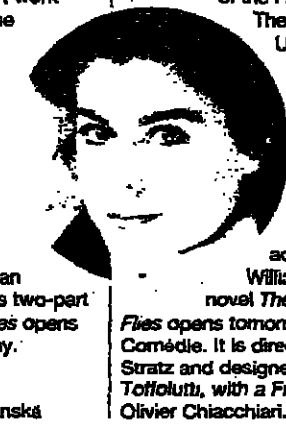
The artistic riches of England's regional galleries are the focus of an exhibition opening on Thursday at the Royal Academy. It includes 400 works by artists as diverse as Canaletto, Gainsborough, Barbara Hepworth (below) and Francis Bacon.

The British Museum is showing 140 paintings and drawings from the collection of Prince and Princess Sadruddin Aga Khan. Opening on Thursday, the display features an unrivalled selection of Persian paintings, as well as Mughal, Ottoman and 19th century Indian works.

Kevin Elyot, author of 1994's highly successful *My Night with Reg*, has the premiere of his latest play, *The Day I Stood Still*, presented at the National Theatre's Cottesloe auditorium on Thursday. Ian Rickson, shortly to start work as artistic director of the Royal Court, directs.

The Royal Shakespeare Company launches two of its most admired 1996 productions in London this week. Adrian Noble's production of *Cymbeline* opens tomorrow at the Barbican Theatre. Katie Mitchell's two-part account of *The Mysteries* opens at the Pit on Wednesday.

HELSINKI
On Saturday, Osmo Vänskä conducts the first performance in Helsinki this century of Sibelius's complete Karelia music. The concert by the Lahti Symphony Orchestra also includes extracts from the original and final versions of the Fifth Symphony. The venue is the University Hall, where the symphony was premiered in 1915.



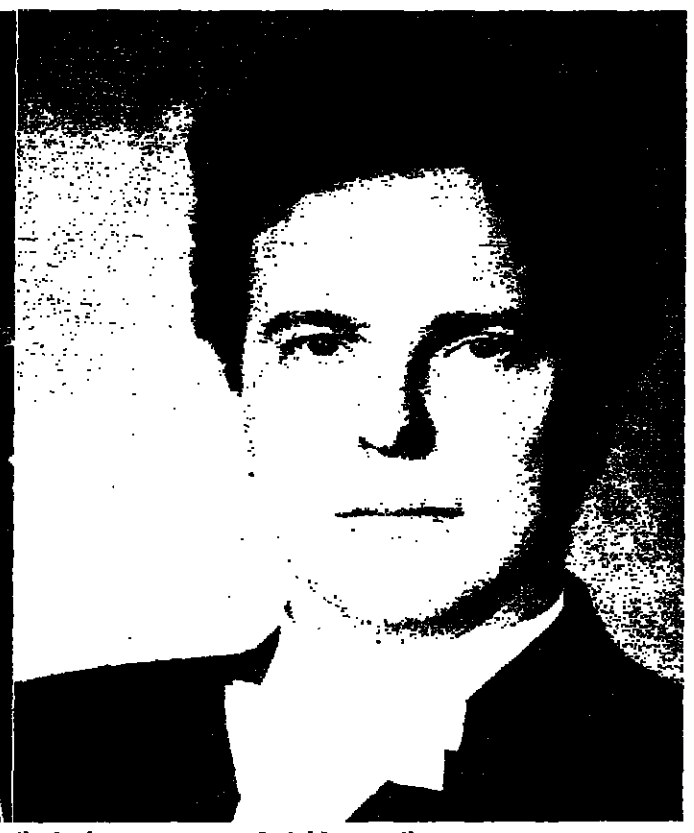
GENEVA
A stage adaptation of William Golding's novel *The Lord of the Flies* opens tomorrow at the Comédie. It is directed by Claude Stratz and designed by Ezio Toffolutti, with a French text by Olivier Chiacchiari.

SALZBURG
The 1998 Mozartwoche begins on Friday. This year's highlights include recitals by Murray Perahia and Cecilia Bartoli (left), and orchestral concerts conducted by Rattle and Muti.

ZURICH
John Eliot Gardiner (above) makes his debut in the Zurich Opera House on Wednesday with a new production of Weber's *Oberon*, staged by Johannes Schaaf.

CHICAGO
A major new orchestral work by Sir Harrison Birtwistle is premiered on Thursday at Orchestra Hall. Daniel Barenboim conducts the Chicago Symphony Orchestra, and there are repeat performances on Friday and Saturday.

BOLOGNA
Daniele Gatti's second production as music director of the Teatro Communale is *Simon Boccanegra*, with Alexandru Agache in the title role and Barbara Frittoli as Amelia. Pier'Alli's staging receives 10 performances, starting on Friday.



Petr Altrichter, left, and Sakari Oramo: their concerts last week with the RLPO and CBSO respectively threw up uncomfortable questions

After the romance, the reality

Andrew Clark reports on two new principal conductors with hard acts to follow

Marry in haste, repent at leisure. Two of Britain's orchestras have just woken up to the fact that whirlwind musical romances do not necessarily translate into long-term compatibility. When the City of Birmingham Symphony and the Royal Liverpool Philharmonic Orchestras began searching for a new principal conductor in 1996, both fell in love with unknown foreign suitors. Without further ado, Sakari Oramo and Petr Altrichter were chosen to succeed Simon Rattle and Libor Pešek. Last week, a different reality dawned.

Oramo, a 32-year old Finn, returned to Birmingham on Thursday for his first concert since his appointment was announced 18 months ago. His performances of Mozart's Symphony No. 39 and Sibelius's Second were so crude and immature that the CBSO players must be wondering what has hit them. It wasn't just Oramo's inflexibly brisk tempos which grated. His Mozart was charmless, and he made the Sibelius sound like a Stalinist battle-hymn.

The previous evening in Liverpool, Altrichter conducted the UK premiere of a contemporary work by a Czech compatriot – a pointer to the kind of music he believes in. Zdeněk Lukas's Sixth Symphony, which is dedicated to Altrichter, turned out to be banal, derivative and trapped in a pre-1950 time-warp.

These two concerts threw up all sorts of uncomfortable questions. Does a Finn know instinctively how to interpret Sibelius? Is a Czech a failsafe guide to his country's music? And are orchestral musicians the best judge of their own long-term artistic interests? In each case, when the new conductor was appointed, it was stressed that the choice reflected the unanimous wish of the orchestra. When Oramo first came to Birmingham, he had barely three years' podium experience: *three years* to leap from his first down-beat to one of the highest-profile conducting posts in Europe. Altrichter, a former chief conductor of the Prague Symphony Orchestra, has more experience than Oramo, but he has no manager, no record company and no international profile.

These issues must weigh heavily in Birmingham and Liverpool, both of which are emerging from a period of unbroken artistic development. This summer sees the end of Rattle's 18-year reign at the CBSO, a success story without parallel in British musical history. He may have been only 25 when he took on the job, but he had served useful apprenticeships elsewhere, he arrived when the the orchestra was at a low ebb and, most important of all, he had charisma.

No one wanted a Rattle clone to succeed him. Where Sir Simon is a flashy dresser, Oramo looks bookish and bespectacled, with the platform manner of a bank manager. Where Rattle favoured Mahler, the Czechs and Poles, his successor is interested in Tchaikovsky, mid-century English music and other repertoire long neglected in Birmingham. Rattle had his first orchestral experiences as a percussionist; Oramo is a former leader of the Finnish Radio Symphony Orchestra – with which he made his sensational conducting debut in Helsinki in 1993, standing in at short notice for an indisposed guest.

They do, however, share an interest in Scandinavian music, and by beginning Thursday's concert with Magnus Lindberg's *Arena*, Oramo served notice that he shares Rattle's commitment to contemporary music, and is an equally skilled exponent. Lindberg's restlessly inventive score came across with unexpected warmth and luminosity.

Judging by his Mozart, the classical repertoire is where Oramo has least to offer. The Andante was unrecognisably fast, the finale frenetically over-conducted: I cannot recall a Mozart performance as ugly and shapeless. Worse was to come in the Sibelius. The slow movement sounded like a scherzo, with clipped phrase-ends and scrabbled rhetoric; and his glib treatment of the finale's climaxes robbed the music of nobility and tension.

Perhaps Oramo was nervous; perhaps he will come good – but this encounter suggests Birmingham may soon find itself hitting the ground with a bump. The Rattle factor will take time to wear off: in the next six months, the CBSO tours to Vienna, Japan and the US, and gives a Beethoven cycle at the Salzburg festival, before returning home for Sir Simon's valedictory performances of Mahler's Second Symphony. The autumn opening of the CBSO's £5m administrative and rehearsal home marks a further stage of development.

Beyond that, Birmingham's artistic fortunes are uncertain. Not only does the CBSO have an new, untested conductor; after two decades of enlightened local authority support, it is also beginning to feel the financial squeeze. Such problems are old hat for the Royal Liverpool Philharmonic, whose local authority grant is less than five per cent of the CBSO's. That goes a long way to explaining the RLPO's £1.3m deficit. Despite this, the orchestra has a stable operating basis, thanks to the support of Liverpool's business community and its ownership of Philharmonic Hall. But the deficit discourages risk-taking – a fact reflected in the RLPO's programmes.

When Altrichter took up his appointment in September, many questioned the wisdom of replacing Pešek with another Czech. The move is not as odd as it seems. They have contrasting interests within the Czech repertoire, and where Pešek favoured Mahler and French music, Altrichter tends towards the classical and Russian repertoire. His choice of the symphony by Lukas (b.1928) may raise doubts about his musical taste, but at least he has plenty of repertoire under his belt. Judging by the Schubert *Rosamunde* overture which opened Wednesday's concert, Altrichter knows how to communicate his enthusiasm, and his accompaniments for Peter Donohoe in Brahms's First Piano Concerto were colourful and refined.

The problem for Liverpool is one of image. Pešek was not just a fine musician; he oozed charm. Altrichter is going to be difficult to market – and in an age where conductors are expected to project the public face of their orchestras, that will have implications for the RLPO. After a decade of international exposure, it looks as if Liverpool, like Birmingham, must steel itself for less exciting times.

Theatre/**Alastair Macaulay**

How Amy grows

When David Hare's *Amy's View* was new at the National Theatre in 1997, Judi Dench's performance as Esme was the greatest performance by an actress to be seen in London all year. Now that Richard Eyre's production has transferred to the Aldwych Theatre, her performance is yet greater. The performances by the rest of the cast have grown too – above all Samantha Bond's as Amy, Esme's daughter. And the best news of all is that the play seems also to have grown.

It is still true that *Amy's View* has faults, some of which become more nagging in recollection than at the time one experiences the play; but to be nagged by them is also to be excited by the play *Amy's View* wants to be, and to feel just to how great a degree it succeeds. I have now seen it three times, loving it better each time.

To sense the glaring faults of something and still to love its virtues is, in fact, to be very close to the heart of what *Amy's View* is all about. Esme is a middle-aged actress (funny and scathing, obdurate and tender, myopic and shrewd) who, for three of the play's four acts, embodies and espouses all the lovable theatricality of upper-middle-class England itself, its mixture of charming social façade and laughing ironic detachment.

Dominic, her young son-in-law (or, for the first two acts, her daughter's lover), is an outsider to all that. A handsome and tough-minded media personality (as he soon becomes after Act One), he is ready to expose all the cosiness and double values of Esme's lifestyle; and his very readiness to debunk anything in established art or society is something that Esme is quick to oppose with equal scorn. Amy, who loves them both and is torn apart by their increasing hostility to each other, tries in vain to make them at least talk and spend time with each other. Or (see Act Four) perhaps not in vain.

Once you are caught up in the bitterness between Esme and Dominic, and in Amy's pain, you are caught up in a drama – uncompromising honesty or loving reconciliation? – close to that of Molière's *The Misanthrope*. But you are also in quintessentially David Hare terrain. How many of his past characters have been dissenters, and how many of his previous dramas have been about the pains of compromise!

But I think *Amy's View* is an advance on any of his earlier work in one important respect, and that is in its richness of texture. The sheer domestic tension of mother-in-law versus son-in-law is so real; and yet Hare easily places it within a far larger socio-political climate (unplanned pregnancy; live theatre vs film and TV; callow TV arts criticism and hospital soap-operas; opening the fête in one of London's Home Counties dormitory villages; unlimited personal liability in membership of Lloyds; the truth and artifice, the pretentiousness and sincerity of theatre) in whose details it is a great pleasure to be absorbed.

OK, let me touch quickly on the play's flaws. Hare has a terrible trick here of disclosing to the audience (usually for comic effect, once for tragic/melodramatic effect) information halfway through a scene that everyone onstage has known since curtain-rise. Amy really is not the loving daughter she is made out to be: the fact that she has not spoken for six painful months to her mother before Act Three is vitiated by the fact that in Act One it is already painfully obvious she knows precious little of her mother's current career and life. And, worst, Dominic is less a character than the mere negative to Esme's positive. It is ludicrous that anyone, least of all his future wife and mother-in-law, should label as an "intellectual" or "critic" this intellectually incurious, ill-educated, shallow charcoal sketch of a man, so flimsy beside the oil-painting than is Esme.

I must add, however, that Dominic nonetheless goes a greater personal distance by the end than the actor Eoin McCarthy reveals. Though McCarthy has brought more force to Dominic's arguments, and though he has the good looks and anger for the role, he has too monotonous and callow a method to put serious flesh upon the bare bones that Hare has given him.

Christopher Staines is outstanding as the young actor Toby; just how his scenes with Esme become the most affecting part of the play is impossible to explain, but they are. Ronald Pickup as Esme's suitor Frank (oh! his line on *Dr Zhivago* and criticism) is superb, and Joyce Redman does wonders with Evelyn. As for Dench and Bond, their performances are the best examples today before the British public of how great acting can make a world onstage real and, further, can take the audience along a large and rich journey. It is easy to find fault with *Amy's View;* but the best way of praising it is to see just how much these actors make of it.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITIONS
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Malevich: Works on Paper from the Khardzhiev Collection Exhibited for the First Time. 79 drawings in pencil, chalk, gouache, ink and watercolours, spanning almost the whole of the artist's career; to Jan 25

■ BERLIN

DANCE
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Swan Lake: new staging by Patrice Bart, with designs by Luisa Spinatelli; Jan 23

■ CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted by Christoph Eschenbach in works by Mendelssohn, Mozart, R. Strauss and Corigliano. With soprano Renée Fleming; Jan 20
● Chicago Symphony Orchestra: world premiere of Sir Harrison Birtwistle's Exody, conducted by Daniel Barenboim. The programme is completed by Beethoven's Violin Concerto in D Major, with soloist Itzhak Perlman; Jan 22, 23, 24

■ COPENHAGEN

EXHIBITIONS
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
● Francis Bacon: this first major retrospective of Bacon to be mounted in Scandinavia will include loans from around the world; opens on Friday
● The Louisiana Exhibition 1997: New Art from Denmark and Scania. This first of a planned series of shows which will present contemporary work from the region contains new works by around 50 artists; to Feb 8

■ GLASGOW

EXHIBITIONS
Burrell Collection
Tel: 44-141-649 7151
Sir John Lavery (1856-1941): The Irish Glasgow Boy. Highlights include "The Tennis Party" (1885), "State Visit of Queen Victoria to the Glasgow International Exhibition" (1888), and major portraits in which the influence of Whistler is clearly visible; to Jan 25

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Shell LSO 21st Anniversary Concert. Conducted by Elgar Howarth in works by Mendelssohn, Jacobs, Cashian and Britten; Jan 21

Queen Elizabeth Hall
Tel: 44-171-928 8800
● London Sinfonietta: Elliott Carter at 90. Oliver Knussen conducts a programme of works by Carter, including the UK premiere of his Clarinet Concerto. With soloist Michael Collins; Jan 19
● London Sinfonietta: 30th Birthday Benefit Gala. Including two world premieres, and John Tavener's The Whale. Markus Stenz conducts; Jan 24

EXHIBITIONS
National Gallery
Tel: 44-171-839 3321
Recognising Van Eyck: bringing together several rare works by the 15th century Netherlandish master alongside other works; to Mar 15

OPERA
Barbican Hall
Tel: 44-171-638 8891
Nixon in China: the London premiere of Adams' opera is the opening concert of the "Inventing America" festival. Kent Nagano conducts the London Symphony Orchestra; Jan 25

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Le nozze di Figaro, by Mozart. Conducted by Charles Mackerras, with designs by Peter Pabst; Jan 19, 21, 22, 23, 24

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Franz Welser-Möst in works by Mozart and Bruckner; Jan 22, 23, 25

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Salome: by R. Strauss. Revival of Sir Peter Hall's celebrated production. Conducted by Richard Hickox, with Hildegard Behrens in the title role; Jan 21, 24

■ MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
Il Cappello di Paglia di Firenze: by Rota. Conducted by Bruno Campanella in a staging by Pier Luigi Pizzi; Jan 20, 23, 24

■ NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
● Israel Philharmonic Orchestra: conducted by Kurt Masur in Beethoven's Symphony No. 9; Jan 21
● New York Philharmonic: conducted by Leonard Slatkin in works by Mozart, Bernstein and Corigliano. With soprano Kathleen Battle; Jan 20
● New York Philharmonic: world premiere of Zorn's Orchestra Variations, conducted by Leonard Slatkin. Programme also includes works by Schuman, Schwantner and Copland. With percussionist Christopher Lamb; Jan 22

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
John La Farge: more than 30 paintings and stained glass windows by the 19th century American; to Jan 25

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
On the Edge: Contemporary Art from the Werner and Elaine Dannheisser Collection. More than 80 works by artists including Tony Cragg and Cindy Sherman; ends tomorrow

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Capriccio: by R. Strauss. New production by John Cox, with sets by Mauro Pagano; Jan 21
● La Cenerentola: by Rossini. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Balò; Jan 20, 24

■ PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Gilbert Varga in works by Strauss, Kancheli and Dvorák. With cellist Mstislav Rostropovich; Jan 21, 22

Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Russian State Symphony Orchestra: conducted by Evgueny Svetlanov in works by Sibelius and Stravinsky; Jan 20

EXHIBITIONS
Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
Pajou, sculpteur du Roi: first retrospective devoted to works by the French sculptor (1730-1809), a favourite of Louis XV and Louis XVI; ends today, then travelling to New York

■ ROME

EXHIBITIONS
Musei Capitolini
Henri Matisse: more than 200 works are included in this major exhibition, which aims to demonstrate the profound influence of Oriental art upon the great modernist; ends tomorrow

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
Le Nozze di Figaro: by Mozart. Production for the Teatro Comunale in Florence by Jonathan Miller. Conducted by Hans Graf; Jan 22, 24, 25

■ TORONTO

OPERA
***Canadian Opera Company*, Hummingbird Centre**
Tel: 1-416-363 6671
Hansel and Gretel: by Humperdinck. New production, previously seen in the US, designed by Maurice Sendak and directed by Frank Corsaro. The conductor is Randall Behr; Jan 23, 25

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Mark Gay of FTTV reports live from LIFFE as the London market opens.

Philip Stephens

Intellectual gulf

Outsiders are obsessed with the perils of Europe's single currency; insiders are working out how it will change things

The euro is all but upon us. The January 1999 starting date is a mere technicality. We will have confirmation by the spring of the number of countries participating. It is unlikely to be fewer than 11. Once they have taken their place on the starting grid, economic and monetary union will be a reality.

The Anglo-Saxon reflex is to foresee catastrophe. This is an enterprise that Britain never wanted and the US never troubled to understand. It would be curious if either now gave it their blessing. From policymakers in Whitehall and the Bank of England we are offered an interminable list of the snares and pitfalls. Warnings from luminaries on the other side of the Atlantic have been positively funereal. Europe's economies are already sclerotic. Emu invites famine, pestilence and war.

The assumption, shot through with Anglo-Saxon arrogance, is that among those committed to this project there is no debate of its consequences. They are blinded by dogma. Governments in Bonn, Paris, Rome, Madrid and the rest will not confront the issues because to do so would be to admit the horrors that lie ahead.

The truth is otherwise. There is a debate among its authors about the single currency. But it is one that simply does not connect with the dialogue in the Anglo-Saxon world. While the cleverest minds in London and Washington focus obsessively on the dangers, those on the other side of the English Channel concern themselves with how it will remould the contours of their continent.

To the outsiders, the enterprise is a perilous excursion into the unknown. The door to Emu opens on to the edge of a cliff. To its prospective parents, the single currency represents another stage, albeit imprecisely mapped, of a long-established journey. It is hardly a surprise then, that the two sides talk past each other.

I make these observations not as a persuader for Emu. You do not have to have hang-ups about national sovereignty to think the European Union's energies could have been better directed in the aftermath of the fall of the Berlin wall. And I, too, glance at the high levels of unemployment, the deflation wrought by efforts to meet the Maastricht criteria, and the prospect of a one-size-fits-all monetary policy and wonder whether it can work. That, though, is no longer the point.

The gulf between the prospective insiders and the outsiders was brought home to me at a weekend gathering of the Franco-British Colloque. The Colloque was the idea of David Simon long before he left the helm of British Petroleum to join Tony Blair's government. Sir Christopher Mallaby, a former ambassador in both Paris and Bonn, now holds the British reins. On the French side it is run by Jean-Louis Beffa, president of Saint-Gobain. Over the years, the Colloque has developed as a vital forum for the two countries' political and business elites.

> The assumption, shot through with Anglo-Saxon arrogance, is that among those committed to the Emu project there is no debate of its consequences

It would be misleading to say that the French representatives at this latest meeting were entirely immune to Anglo-Saxon scepticism. There was much straight talking about the risks to the euro zone economies of asymmetric shocks. French industrialists and policymakers were candid also about the link between excessive social costs and regulation and the country's high unemployment – even if they gently reminded their British hosts that France's tradeable goods sector has never been more competitive.

Their conclusion, though, is that these are supply-side problems to be tackled inside Emu. In macro-economic management, the single currency represents continuity rather than dislocation. As one of France's most influential policymakers remarked, seven of the prospective members have been running a single monetary policy for the past 11 years.

For Germany, France, the Benelux and Austria, the euro represents the exchange of wedding rings between partners that have long been cohabiting. As for high unemployment, it is a problem demanding micro rather than macro-economic solutions. Greater transparency in labour and product markets will hasten the process of structural reform.

In this analysis, the traditional British concern that the single currency is the precursor to a united states of Europe is also wide of the mark. Britain tends to see political union in terms of the construction of new federal institutions. For its continental partners, it is much more about process than architecture. If one looks at the complex of mutual obligations to which the prospective participants have signed up, political union is integral to Emu.

Here I think, many have underestimated the role of the prospective club of single currency finance ministers. Mr Blair has extracted reassurances that Britain's voice will still be heard. Bonn has said the club cannot challenge the independence of the European central bank.

These supposed constraints will not stop Euro-X from developing into one of Europe's most powerful institutions. Formally or informally, it will intensify and extend the process of policy co-ordination. Taxes and social costs may not be harmonised, but new frameworks will be established. The central bank needs this political counterpoint. The future of Emu will depend as much on decisions taken by governments as on the euro interest rate.

In the US, Alan Greenspan, chairman of the Federal Reserve, sits down to breakfast every week with Robert Rubin, US Treasury secretary. Before long Euro-X will elect a chairman to sit down likewise with the head of Europe's central bank.

There will be a similar political role to be played within international institutions like the Group of Eight and the International Monetary Fund. And here, Euro-X will challenge US hegemony. Europe's four largest nations have collectively contributed as much as the US to the international rescue operation for South Korea. But the terms have been written entirely in Washington. That will change when the euro bloc speaks with a single voice.

In all this there are still great uncertainties. Euro-X offers only a partial answer to the serious questions of political legitimacy raised by the single currency. For Anglo-Saxons, though, the moment is fast approaching to stop explaining why Emu cannot work and to start thinking about how it will change things.

LETTERS TO THE EDITOR

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'Arrows in the back' only for those facing the wrong way

From Ms Teresa Wyszomierski.

Sir, Contrary to Robert Denham's eulogy bemoaning the fall of junk bond pioneers Peregrine and Drexel ("Pioneers fated to bite the dust", January 15), legitimate pathfinders do not "get arrows in their backs" unless they are facing the wrong way. Indeed, these firms took two wrong turns that proved their ultimate undoing.

First, they simply underwrote deals that were so dodgy that no viable secondary market for them could develop. By the time Drexel folded in 1990, the number of dealers and investors participating in the junk bond market was legion. However, many bankers refused to trade Drexel's deals because they contained too many legal idiosyncrasies and were the product of poor due diligence.

When Drexel fell, there was a ready market for high quality paper like RJR/Nabisco, even among non-traditional junk bond players. Not so for "real junk", like Peregrine's "Steady Safe" underwriting.

Second, both Peregrine and Drexel exhibited a lack of prudential judgment that belied their reputation for market sophistication. Peregrine irresponsibly risked about a third of its capital in the inaptly named "Steady Safe". Drexel's criminal record speaks for itself.

It is true that both Peregrine and Drexel deserve credit for their pioneering efforts in high yield bonds. However, both firms failed because neither was a "straight arrow".

Teresa Wyszomierski,
61-37 56th Avenue,
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US

Anything but 'gadfly' governance role

From Ms Anne Simpson.

Sir, Lex argues ("Corporate governance", January 14) that mainstream institutional investors should take an active role in improving corporate governance at UK plc, but takes a swipe at "gadfly organisations" like Pirc. This is a specious distinction. Pirc's clients are long-term institutional investors with assets well in excess of £150bn ($245bn). They vote regularly, scrutinise management proposals at meetings, have detailed negotiations with companies and, when necessary, are prepared to take the initiative to improve standards of corporate governance.

This is surely just what Lex is calling for, and exactly what the National Association of Pension Funds would like to see more of its members doing.

Anne Simpson,
joint managing director,
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Research Consultants,
145-157 St John St,
London EC1V 4QJ, UK

From Councillor Alec Kellaway.

Sir, "Has the threat of legislation succeeded in galvanising UK institutional shareholders into activism?", asks Lex ("Box tickers, arise"). The article proceeds to praise "mainstream investors, rather than . . . gadfly organisations such as Pirc".

I serve on the investment sub-committee of a local authority pension fund, which manages funds of almost £250m – surely a mainstream investor. The local authority has long been a subscriber to Pensions Investment Research Consultants (Pirc), alongside many other councils and fund managers. Yet even at a pensions conference last week I heard some experts still arguing for light-touch regulation of the proposed new "stakeholder pensions". Is this complacency or sheer arrogance of the pensions "establishment" in continuing to argue for self regulation? Until the industry really does put its house in order, then independent organisations such as Pirc will be very much needed.

Alec Kellaway,
Newham Council,
Town Hall, East Ham,
London E6 2RP, UK

Page first turned in earlier Italian era

From Dr Ida di Pietro.

Sir, I was surprised to read in your article "Communist newspaper turns a page" (January 10-11) the sentence: "In the 1980s came La Repubblica, a jazzier left-of-centre rival that seduced thousands of readers." La Repubblica in fact appeared for the first time on January 14 1976 and, with its first issue, "seduced" 300,000 readers.

It is also misleading to place the start of La Repubblica in the 1980s since it disregards its important role in one of the darkest chapters of Italian contemporary history, namely the kidnapping and subsequent assassination in 1978 of Aldo Moro.

On that occasion, La Repubblica became an important point of reference for Italian public opinion and developed into a forum of permanent political debate.

I suggest a more careful use of the rather dismissive adjective "jazzier" in relation to La Repubblica, which has always kept a very clear, though sometimes difficult, political line and has represented for a whole generation the equivalent of a *sui generis* political party.

Ida di Pietro,
Rotenturmstrasse 21/2,
1010 Vienna,
Austria

Most fund managers back SE

From Mr Stephen L. Tanner.

Sir, I was rather surprised to read Jane Martinson's article "Blow to stock exchange trading system" (January 9) reporting on the decision by MSCI to use the old system of valuing FTSE 100 shares, against the advice of the London Stock Exchange. In it she states: "MSCI said that most of its clients were generally happy with its decision."

Institutional Fund Managers' Association consulted widely among its members in November on this topic and our recommendation, issued on December 8, was that they should follow the Stock Exchange proposals and use "last trade" prices for FTSE 100 stocks in their valuations.

The reason for our recommendation to members in December was that we hoped to achieve a single system of valuation so that we would avoid, if at all possible, the situation of different fund managers using different prices to value the same security at the same time. The decision by MSCI, contrary to the stance taken by your sister organisation, the FTSE/Actuaries index compilers, means there is now likely to be a much greater deviation in the performance of these two measures of UK performance, which must lead to misunderstandings between fund managers and their clients, even when all fund managers are using the same methods to value clients' portfolios.

IFMA represents the vast majority of institutional fund managers in the UK and, so far as we are aware, our members are abiding by the Stock Exchange recommendation, even if, at the moment, the system still has some bugs and is not providing as stable a market as we had when market makers were there to take the strain.

Stephen L. Tanner,
director general,
Institutional Fund
Managers' Association,
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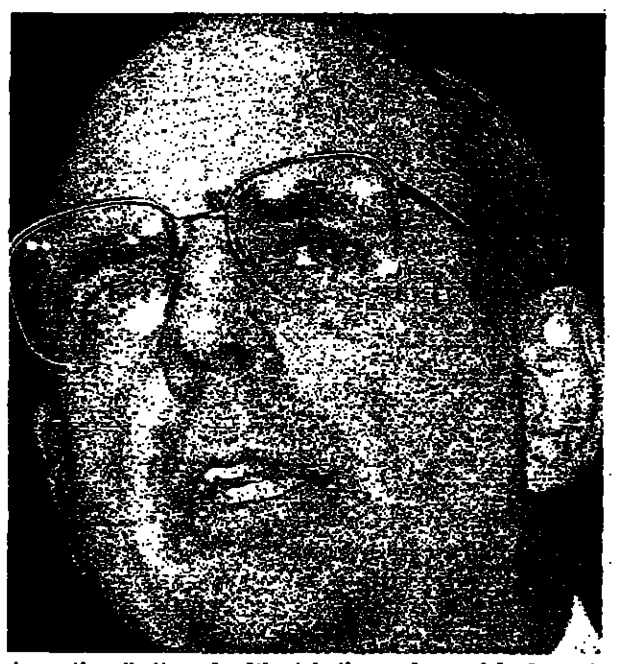
In spite of the end of the cold war, the US still needs swords as well as ploughshares, argues **Bruce Clark**

Sticking to its guns

As cold-war swords are hammered into ploughshares, the relative importance of military might as a token of American power is certain to decline. Is this correct? No – precisely the opposite trend may be under way.

While the US is likely to see a steady decline in its relative share of total world trade in the decades to come, its lead in military expertise looks unchallenged and destined to grow. Along with mass-market entertainment, defence stands out more clearly than ever as one of America's greatest areas of comparative advantage in the global arena.

The incipient "revolution in military affairs" – which promises to provide commanders with perfect knowledge of the battlefield through highly integrated information systems – has so far been an all-American enterprise.



Augustine: 'better a healthy trio than a dozen sick players'

The gap between Europe and the US has widened since the 1991 war against Iraq. Even then, the communications traffic used to co-ordinate US forces in the Gulf was four to five times more intense than anything Nato could muster in Europe.

Europe's failure to develop integrated battlefield information systems has prompted US strategists such as Tony Cordesman to warn that the European side of the Atlantic alliance could be turning into a paper tiger.

The self-confidence of the most successful parts of the US military-industrial complex was apparent recently at a dinner hosted by the bosses of Lockheed Martin. The US aerospace and defence industry now comprises three giants – Lockheed, Boeing and Raytheon – which is not an ideal state of affairs, conceded Norm Augustine, chairman. But better a healthy trio than a dozen sick players.

In any case, the information technology side of their businesses was growing so fast that they now considered Microsoft, the software empire, a serious competitor.

The one thing that caused them not a flicker of anxiety was the belated effort of the UK, France and Germany to consolidate their defence industries. "I've seen a lot of talk about European consolidation, not much action," said Vance Coffman, Lockheed's new chief executive.

Behind such confidence is the fact that the annual budget of his main customer, the Pentagon, has stabilised after a long slide – at around $260bn a year. US spending on cutting-edge military research and development is six times the European total.

This growing imbalance has implications not just for the likes of Lockheed, but also for the currency in which US global power is denominated.

If the European Union is *par excellence* a mercantilist power, the US could find itself a sort of praetorian power – relying more on military muscle, and less on economic power, as a token of international influence. Ironically, this is more likely to be true if US military power remains largely unused, so that its vulnerabilities are untested and its mystique unchallenged.

The only serious problem for the US is the extreme aversion of the public to domestic casualties in foreign wars. But the deployment of vulnerable ground troops is only one tactic available to the US.

There are more subtle ways for the Pentagon to influence outcomes far from its shores. The simplest is the selective supply of weapons, expertise and intelligence to favoured parties. Weapons such as cruise missiles and unmanned aircraft can also help to avoid the political cost of body bags.

Of course, military and economic power are not fungible in any simple way. You cannot, under the rules of the modern world, shoot your way to prosperity.

But the tone of US economic bargaining with its partners in the Group of Seven (now Group of Eight, including Russia) leading industrial nations has always been affected by Washington's role as military guarantor. Because of the technology gap, this will remain the case even if the US reduces its share of the human and financial burden in its military relationships.

In all America's external relations, military power is its hidden, and often unspoken, advantage. When the US addresses the EU about beef or steel, it speaks to an approximate equal. Everyone knows a huge row would hurt both sides. But recent experience in the Balkans has deepened Europe's military dependence on the US – by highlighting the US superiority in satellite intelligence and air power.

When the US approaches a Latin American country in search of trade deals, it brandishes the enormous power of American capital and markets, but it cannot hide the fact that it needs those agreements too.

However, the recent lifting by the US government of its self-imposed ban on high-tech arms sales to Latin America will give it a new set of aces. It can woo countries not just with F-16s, but with the joint military exercises that would follow.

Arms sales, sweetened by joint war games, are only one example of foreign-policy spin-offs from maintaining a vast military.

Another is the growing field of "defence diplomacy", in which officers from other countries – including former adversaries – are invited to bond with their US counterparts at worthy seminars.

Fellow officers tend to strike up closer relationships than prickly bureaucrats. And there is one thing that impresses visiting officers from the former Soviet Union, which was among the most militarised powers in history. When they see the Arlington cemetery, the smart West Point cadets and the docile, bug-eyed visitors touring the Pentagon, they conclude, enviously, that America holds the military in very high esteem.

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A role for the US in Ulster

US policy towards Northern Ireland has the capacity to be immensely constructive in, or hugely destructive of, the search for a political settlement in the province.

The White House can be a valuable envoy for the British and Irish governments in their efforts to persuade Sinn Féin/IRA to abandon violence permanently in favour of a negotiated agreement. But when the Clinton administration plays to the domestic gallery of Irish-American opinion, it provides succour for those who prefer the *Armalite to the ballot* box.

This is the lesson to be drawn from the weekend disclosure by Raymond Seitz, a former US ambassador in London, that Mr Clinton's early contacts with Gerry Adams, the Sinn Féin president, were driven by the White House's concern to secure Irish-American votes.

Mr Seitz's insider's account of the way in which the US administration repeatedly broke its own rules on dealing with those who support terrorism makes depressing reading. The suggestion that sensitive British intelligence information was passed to Sinn Féin/IRA is deeply alarming. Mr Seitz left his post in 1994, but his concerns about the overtly nationalist sympathies of Jean Kennedy-Smith, *the US ambassador in Dublin*, have subsequently been echoed by other senior US diplomats.

It might be said that this phase in US policy is now over. Relations with London have been repaired and, with Sinn Féin/IRA holding to a second ceasefire, Mr Adams' trips to the White House have been followed *by meetings with Tony* Blair in 10 Downing St.

In reality, it is more important than ever that Mr Clinton *eschews domestic US politics in* his approach to Northern Ireland. The multi-party talks in the province are now entering *their most dangerous phase.* Martin McGuinness, the chief Sinn Féin/IRA negotiator who will accompany Mr Adams at *his meeting with Mr Blair* today, has rejected the negotiating document produced last week by the London and Dublin governments. By murdering innocent Catholics, hardline loyalist paramilitaries are giving Republicans a convenient cover to end their ceasefire.

In such perilous circumstances, the duty of the US administration is to use all its political weight to persuade Sinn Féin/IRA to keep talking. Access to the White House and the capacity to raise funds from Irish-Americans are precious commodities for Mr Adams.

The White House should make it clear that both will be withdrawn – permanently – if the present ceasefire is broken. *If he does otherwise*, Mr Clinton will lay himself open to the charge that he puts votes for US Democrats ahead of lives in Northern Ireland.

Russian reform

Russia's political roller-coaster lurched again last week, leaving its leading young reformers stranded in the rear. Victor *Chernomyrdin, the prime minis*ter, representing the solid centre ground and gradual reform, is back at the controls. It was a classic manoeuvre by president Boris Yeltsin to keep his closest allies off-balance. But it may not do much to help the ailing Russian economy.

The cabinet reshuffle leaves both Anatoly Chubais and Boris Nemtsov, first deputy prime ministers, stripped of their most important authority. Both the finance ministry, which used to *report to Mr Chubais, and* energy, which was Mr Nemtsov's responsibility, now come under the direct control of the prime minister. Mr Chubais retains responsibility for the vital but thankless task of reforming public finances and ensuring taxes are collected, but is no longer economic supremo. Mr Nemtsov loses his sweeping power to curb oil and gas monopolies, but is left with other huge areas to reform: electricity, housing and transportation – all political minefields.

One disturbing fact about the reshuffle is that Mr Yeltsin has seen fit to move so fast. The *reformers were put in office* only last March, and announced big ambitions, including drafting an entire new tax code, regulating the *natural monopo*lies, and bringing public finances under control.

The president appears to have decided that the young Turks *had made too many enemies to* be allowed to maintain their powers. Mr Chernomyrdin has been more successful in cultivating links with his old comrades in industry, with the communists in the Duma, and with the businessmen and bankers who hold sway in the new Russia.

It is too early to say that the prime minister will be Mr Yeltsin's successor: the old president is far too wily to allow such a presumption. But he remains the man most likely to *succeed.*

For foreign investors, however, he has one important weakness. He is too closely *identified with the old energy* establishment in general, and with his old firm, Gazprom, in particular. The suspicion is that he will allow the giant gas monopoly, which is responsible for about one-third of all Russia's hard currency earnings, free rein in the energy sector. That would be a severe discouragement to the foreign investment Russia so sorely needs.

Mr Chernomyrdin must make clear he is prepared to clip the wings of Gazprom and the other *natural monopolies, and pursue* the tax reforms initiated by his young team. These are preconditions for sustained recovery of *the Russian economy.*

Bibi's bluff

Decision time on the Middle East peace process starts today in Washington, after nearly a year in which the Oslo accords between Israel and the Palestinians have stalled to the point of sliding into reverse. President Bill Clinton is holding talks with Benjamin Netanyahu, Israel's prime minister, before meeting Yassir Arafat, the Palestinian leader, on Wednesday.

Washington's task is to cajole Israel into making its long overdue withdrawal of troops from the West Bank "significant and credible", and to halt the new wave of Jewish colonisation of occupied Arab land which has all but destroyed hopes of a regional settlement. This, in exchange for a "100 per cent effort" by Mr Arafat in fighting Islamist suicide bombers intent on destroying Oslo, is the minimum requirement for realistic negotiations to resume. Yet the *lead-up to the Washington* talks could hardly be less propitious.

Israel's cabinet, dominated by rightwing nationalists and religious fundamentalists, on Wednesday set guidelines for Mr Netanyahu that lay claim to more than half the West Bank in all future arrangements with the Palestinians and that, if interpreted literally, mean that numerous Israeli commitments under the existing Oslo treaties will not be honoured.

Attached to the guidelines is a 12-page list of demands on the Palestinians, all related to providing Israelis with a level of security that Israel itself could never deliver – even when it had complete control of the occupied territories.

While Israeli tactical filibustering has been evident since Mr Netanyahu took office 18 months ago, a strategy is now emerging that would prevent the Palestinians from ever getting a viable homeland in the West Bank and Gaza. Unless this strategy is firmly resisted, there will be no peace in the region. And without peace, Israel, 50 years old this year, will not secure its right to live in security, recognised by its Arab neighbours. Peace and security are indivisible, and both require the return of conquered Arab land.

Mr Clinton now has to make this clear and beyond doubt. He should assume Israel's position is *maximalist posturing*, because the time has come to call Mr Netanyahu's bluff.

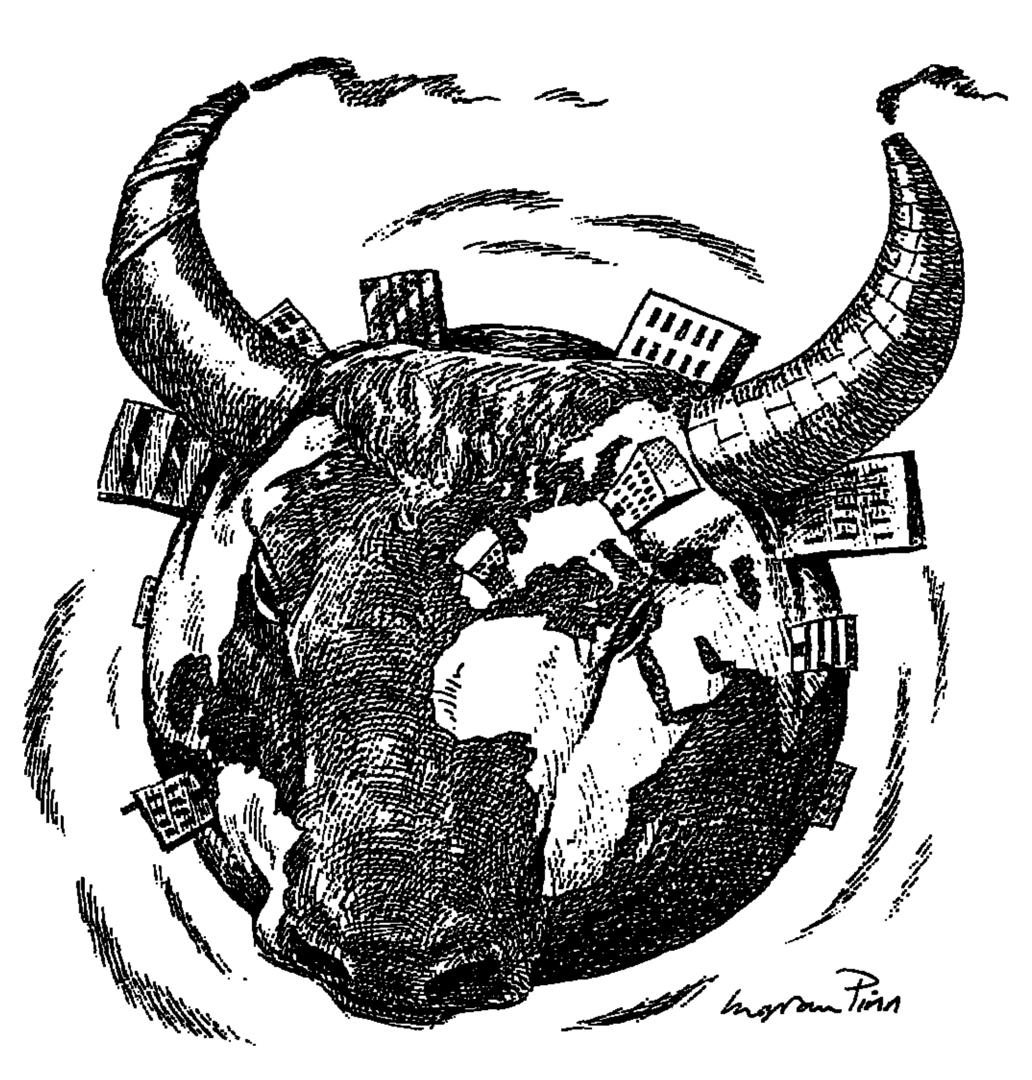
The Israeli leader may well try to go round the US president and rely on the pro-Israel lobby in Congress – as he has done in *the past. But two can play that* game. Mr Clinton should pitch his message at the Israeli people, who throughout all the setbacks have clung to the prospect of peace and of becoming a normal country. A firm stand is *the greatest gift the US could* offer Israel on its 50th birthday.

The new Spanish explorers

Many companies are discreetly turning themselves into pocket-sized multinationals, as **David White** explains

You would not say Ficosa International was a household name, even in Spain. It is a family-controlled Catalan company, little known except to clients in the motor industry. It makes rear-view mirrors, windscreen washers and the like. Until the mid 1980s it was a purely Spanish company with a Spanish market, exporting no more than 4 per *cent. But now it has factories in* four continents and does 70 per cent of its \$300m-a-year business abroad.

*Here is a new breed: the pock*et-sized Spanish multinational. Unlike Italy, Spain has never been well represented among *world-league companies* – no names like Fiat or Pirelli or Benetton. It has been a receiver of foreign investment, but until *recently barely figured as an* investor.



Since 1985, when it signed its accession to the European Union, Spain has been the biggest net recipient of direct foreign investment in the OECD area, according to figures from the 28-nation organisation. But since 1994 the net influx has been smaller than Mexico's or Australia's.

One reason is that inward investment growth has slowed. Most sectors that were opened to foreign ownership 40 years ago – such as cars and chemicals – are already saturated by foreign companies. Money still flows into restructuring and expansion, but *new arrivals have become scar*cer. At the same time, Spanish companies, flush with the profits of economic recovery, have been investing abroad as never before.

The net balance is still inward, but not by much. Belatedly but rapidly, Spain is joining the mainstream of large EU countries which are both suppliers and takers of investment. The change began with EU entry 12 years ago when companies, in self-defence, sought new markets to offset competition on their home turf. They have since become more adventurous, and a new corporate culture has grown up.

"In Spain we were kings, but *outside Spain we were nothing,*" says Josep Maria Pujol, Ficosa's chairman, referring to its position in the 1980s. "We had three alternatives: to stay as we were, which was certain death; to sell out, which was not our plan; or to go European."

It started by setting up technical and marketing bases, and then *factories* – in France, Portugal and England. It found the climate tough: the components industry smelled an intruder. "We were greeted first with total ignorance, then contempt, then hate." The company realised it needed global presence. It set up an engineering office near Detroit and a manufacturing base in Mexico. "We thought we would face the same difficulties as in Europe, but we didn't. It has been a spectacular success."

In the past two years Ficosa *has added plants in Brazil*, Argentina and most recently India. "Our objective now is Asia," Mr Pujol says.

The move abroad has been led by the biggest Spanish companies, with high-profile forays into Latin America – Telefónica, the Santander and Bilbao Vizcaya bank groups, Repsol in oil and gas, Endesa and Iberdrola in electricity. But the trend is much wider. Numerous smaller companies have followed them and struck out into other parts of the world, including Spain's neighbours Morocco, Portugal and southern France.

"This is a big phenomenon now," says Jordi Canals, a professor at the IESE graduate school of management in Barcelona. Many Spanish enterprises grew up to cater solely for domestic demand. They went through a *triple shock with the oil crisis*, EU entry and a 1993 recession. Those that survived, he says, emerged stronger.

In many sectors, such as construction, they have become highly competitive, and now have cashflow to spend. Previously obscure companies, almost all based in Spain's northern regions, are gaining recognition in their sectors as real multinationals. "I think this is the most important corporate change there has been in the last 20 years," Mr Canals says.

Spain used to have little more to boast of than the anecdotal example of Chupa Chups, the Catalan-based lollipop company which expanded abroad in the 1980s, and now *produces in half a* dozen other countries including Russia and China. But there is now a host of others, often family concerns, which *have become dis*creetly international, sometimes still clinging to their secretive habits. For instance, Spain's biggest car parts maker, Antolín-Irausa, based in Burgos, now has operations in 11 countries from Turkey to South Africa, but refuses to talk to the press.

Some are relatively tiny. Germans Boada, a producer of tile-cutting tools, with 80 employees near Barcelona and consolidated sales of some \$27m, now does more than 60 per cent of its business abroad and has a plant in Portugal, sales subsidiaries in Italy and France and an affiliate in the UK.

Spanish perfumer Antonio Puig has just bought the glamorous French label Nina Ricci. Indo, an *optical company*, produces lenses in Tangiers and will soon make frames in China. The industrial co-operatives of Mondragón, deep *in the Basque country*, have spread tentacles abroad in activities from coach bodies to computer systems. Subsidiaries and joint ventures run hypermarkets in France, make gas boilers and washing machines in Egypt, refrigerators in Morocco and Argentina, and components in the Netherlands and Czech Republic. Campofrio, a meat processor, has plants from Russia to the Philippines.

"Globalisation made to measure", as Mr Canals calls it. Spain will continue to lack real global companies. Its top corporations will be at most significant regional players in sectors such as banking, energy and telecommunications, with a European presence through Spain and an important role in Latin America.

Management resources pose a big challenge, he *says, especially* for these big outfits taking over Latin American companies that were previously in the state sector or cosy oligopolies, which carry heavy bureaucracies and need rapid turnrounds.

"Any future manager must have international experience," says Javier Herrero, chief executive of Iberdrola, the Spanish power company, which has spent \$1bn on Latin American acquisitions, mostly in Brazil during 1997.

Many companies have had difficulty finding qualified people prepared to work abroad. "At the *beginning it was practically* impossible," says Ficosa's Mr Pujol. Spaniards are notoriously loath to move home for their jobs. But he has noted a change in attitude. "There is a new generation of engineers and such – young people who are very much more open."

Voyage to the west

America has a different meaning in Spanish. It can just as well mean Latin America as the US *– and for Spanish companies* is increasingly likely to do so.

Spain has in the past three years become the leading Euro*pean investor in Latin America.* In countries such as Argentina it has been closing the gap on the US, for long the dominant foreign presence.

The privatised Telefónica group has spent some \$4bn to secure a leading place in the region's telecommunications. Endesa, Spain's biggest electricity generator, is already more than halfway through a plan to spend more than \$3bn in the region between 1997 and 2001, mainly through its stake in the Chile-based *Enersis group*. Repsol, the privatised oil company, aims to have invested \$5bn in five years' *time, chiefly through* Astra, its Argentine affiliate.

Spain's biggest banks, Banco Santander and Banco Bilbao Vizcaya, *have more employees in* Latin America than Spain. Santander ranks as the region's largest foreign bank by loan volume. *Along with Banco Central His*pano they have spent \$6bn since 1995 buying South American and Mexican banks, and now control 20 per cent or more of the market in countries such as Chile, Venezuela, Peru and Colombia.

Of 35 blue-chip shares in the Madrid market's Ibex index, 16 are in Latin America. Last year, the region absorbed 43 per cent of Spanish direct foreign investment.

Why Spain, and why now? Spanish companies are confident about dealing with the region, based on cultural and historical affinities. "If we did not speak *the same language it would be* much more difficult," says one executive. They have taken advantage of recent deregulation, jumping in ahead of more reluctant international competitors, in markets still relatively virgin and in need of capital, where entry has until recently been legally difficult and risky.

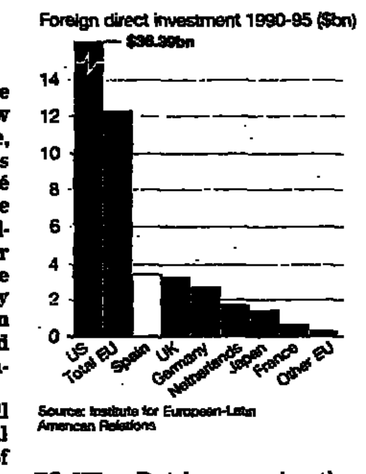
They regard Latin America as their natural opportunity. And they are already *too late else*where. "How is a Spanish bank going to go to Hong Kong or Singapore?" asks a *senior* bank strategist. What can it bring?"

In Latin America, the Spaniards can seize positions they could never aspire to in Europe or Asia. The region is now almost as important for Mapfre, the biggest Spanish insurer, as its domestic market, says José Manuel Martínez, chief executive *of the Mapfre Corporación hold*ing company. More than 90 per cent of its foreign operations are concentrated there. Already operating in 10 Latin American countries, its move has required "little money and a lot of management effort", he says.

The big Spanish companies all put their heads together to deal with some of the difficulties of being newly fledged multinationals – *human resources problems, for* instance, such as dealing with returning expatriates or the issue of spouse employment. "In US, UK or Dutch companies, they have been doing this for 40 years," says Mr Martinez. "For Spanish companies, going international is a new process."

Latin America

Foreign direct investment 1990-95 (\$bn)



Source: Institute for European-Latin American Relations

· OBSERVER ·

Down on the waterfront

■ It may be good news for local property developers – and a smart move according to Feng Shui masters – but not everyone in Hong Kong is pleased with the government's decision to build a swish new headquarters. "A HK\$19bn waste of money," was the verdict of Huang Chen-ya, a member of the Democratic party; he suspects *the administration is bowing to* property tycoons by pulling the harbour front site from a planned land auction – hence curbing the future supply of office space.

Despite the apparent haste of the decision, the government says the move has been under consideration for some time. Raymond Lo, one of the *territory's* Feng Shui experts, believes the new location may bolster the fortunes of the administration. With the People's Liberation Army barracks on one side, and the headquarters of a China-backed *conglomerate on the other, the* government's energy will be contained at the new site, he says.

But Tung Chee-hwa, Hong Kong's chief executive, shouldn't hold his breath. The new *building* is unlikely to be completed before 2003. And the Feng Shui guru reckons bad vibes from the government's existing HQ are partly to blame for both bird flu and the territory's stockmarket slump.

Royal progress

■ Strange times in Cuba. First the Pope is invited to kiss the *tarmac of the last bastion of* unreconstructed communism. Now Havana unveils a garden memorial to Princess Diana.

The garden, in the old town alongside Havana Bay, was inaugurated this weekend in the presence of a respectable, but slightly puzzled, contingent of British expatriates. Created by Cuban architects, it consists of a stone pillar covered with modern ceramic designs, set in a pond surrounded by a lawn and flower beds. There's a simple plaque, in Spanish, which reads: "To Diana, 1961-1997."

British ambassador Philip Mclean managed to come up with a tenuous historical link between the site and the British community: the garden is close *to a church* where British forces, which occupied Havana in 1762, held Anglican services.

But that doesn't explain why Cuba has invested in a memorial to a member of the British royal family. It's up to Havana's *official historian*, Eusebio Leal, to provide a philosophical justification. He says the memorial is in tune with the communist-ruled island's "universal vocation". So there you have it.

Trading places

■ All change in Chicago's futures industry as the board of the city's Mercantile Exchange meets this week to decide on a successor to chairman Jack Sandner. Sandner's been in the hot seat for 13 of the past 17 *years; term limits mean he's got* to step down, but he does so at a tricky time. Dissatisfaction at the CME is rife and members are *divided on how to handle* the challenge posed by electronic trading systems.

Still, last week's board elections returned most of the incumbents who were standing for re-election. A dissident group of traders, heavily critical of Sandner, failed to win seats.

So the front-runners to take the chair are both CME insiders: Scott Gordon, vice-chairman since 1995, and Thomas Kloet, treasurer since last year. Whoever wins could be in for a taxing time.

Core problem

■ "For nine years and eight *months I believed it was a* success," says John Sculley of his 10-year stint in charge of Apple Computer. At an industry shindig in Tel Aviv last week, he at last owned up to his part in Apple's decline.

The former Pepsi-Cola president, who left Apple five years ago, reckons the turning point came in May 1990 when Microsoft introduced a viable version of its Windows operating system and Intel launched the high-powered but cheap 80/386 microprocessor. With the benefit of hindsight, Sculley thinks Apple should have done a deal *with Intel to* use the new chip instead of sticking to a technically superior, but more costly, gizmo.

But Sculley, who now runs a venture capital operation with his two brothers, believes that Apple, which has just announced a return to profit for the first time in five quarters, can make a comeback now that Steve Jobs, the Apple founder he ousted, is back in charge.

"Apple is a cult, not a company," he said. "And the guy who created the *cult is Steve.*"

Off target

■ German pharmaceuticals company Hoechst Marion Roussel takes an early lead in the search for 1998's best euphemism for job cuts: the group says it's doing a spot of "targeted realignment".

The Financial Times

100 years ago

More Excitement In Havana
Of the making of Cuban scares there is no end. Wall Street needs iron nerves to stand the successive shocks caused by military riots, threats of despatching the United States ironclad, and so forth. On the top of these little scares comes the unwelcome intimation that Marshal Blanco cannot even play *tennis with the Prefect* of Havana without "an individual" taking a pot-shot at him with a revolver. *The bystanders threatened to* lynch the "individual", but he seems to have strolled to prison unhurt.

50 years ago

City Firms Ruffled
Many City firms these days are ruffled because of delays in their auditing. It is often the sad lot of accountants to refuse to complete work by the dates which would be most convenient to their clients. This is hardly *surprising. The Government's* vast nationalised monopolies are busily engaged in enticing accountants away from private enterprise. During the last year one City firm of accountants lost nearly a hundred of their staff, mostly to the National Coal Board.

FINANCIAL TIMES
Monday January 19 1998

Saddam seeks force to break embargo

Iraq declares a 'holy war' on UN sanctions

By Laura Silber and Bruce Clark in New York

Iraq yesterday declared a "holy war" on UN sanctions, calling for a 1m-strong volunteer force to mobilise for a struggle aimed at breaking the *crippling embargo.*

The US said it still hoped diplomacy could break the deadlock with Baghdad over UN weapons inspections but *was ready to use military force* if other means failed.

Madeleine Albright, US secretary of state, said President Saddam Hussein was "digging *a deeper hole for himself*" by obstructing UN efforts to monitor and dismantle Iraq's arsenal of deadly weapons.

His latest tactics, including his refusal to accept a US-led inspection team, suggested that the UN was close to making some embarrassing discoveries of hidden stocks of biological and chemical weapons, Mrs Albright said.

Iraq called on all able-bodied citizens to register for "popular training" after Mr Saddam on Saturday warned that his *country faced a mounting military* threat from the US.

He said Iraq would expel UN weapons inspectors if sanctions were not lifted within six *months. Richard Butler, the* chief UN arms inspector who will meet Iraqi officials in Baghdad today, denounced this deadline as arbitrary and *unrealistic.*

Yassin Ramadan, Iraq's vice-president said yesterday: "We are determined [to launch] a great jihad to lift the sanctions. There is no alternative to this after seven years of patience and co-operation with the United Nations and its committees."

The UN imposed crippling sanctions against Baghdad, including an oil embargo, after Iraq invaded Kuwait in August 1990. Sanctions will remain in force until the UN certifies Iraq has fully dismantled its weapons of mass destruction and their production facilities.

Baghdad accuses the US of refusing to lift sanctions until *Mr Saddam loses power. Mrs* Albright said she stood by earlier statements that Iraq must dismantle its arsenal and demonstrate "peaceful intentions" *in the region. has*

George Robertson, the UK defence secretary who has ordered a British aircraft carrier to beef up US forces in the *Gulf, said Britain still hoped* for a diplomatic solution. "I think we are likely to hear a lot of noise," he said, dismissing as "bluster" the latest Iraqi pronouncements.

The Iraqi Defence ministry yesterday called "on all Iraqi men and women ... to enlist in popular training".

● In neighbouring Jordan, six Iraqis, including a senior diplomat, and two Egyptians were stabbed to death in the capital Amman.

Saddam out to foil UN 'detectives', Page 3

Peregrine seeks early sale of core equities business

By Clay Harris, Banking Correspondent

Peregrine, the collapsed Asian investment bank, hopes to find a buyer for its slimmed-down *equity products business by* the end of this week, a senior executive said yesterday.

The plan under consideration would involve a retreat from several Asian countries and the loss of up to half the group's 1,000 jobs. But Andrew Jamieson, chief executive of Peregrine Securities, said: "I want to keep as much of the business together as possible in what is a short space of time."

Mr Jamieson said at least five potential buyers – two from North America and three from Europe – had begun due diligence investigations. A sixth bank, believed to be ABN Amro of the Netherlands, may be interested in part of the business. Chinese-backed banks had also expressed *interest, but none had formally* entered negotiations, he said.

Peregrine was one of the largest underwriters of mainland issues, notably red chips, the Hong Kong subsidiaries of Chinese conglomerates or government agencies.

The core business for which Peregrine is seeking an immediate buyer includes: its "greater China" businesses in Hong Kong, Beijing, Shanghai and Taipei; the UK and US operations which are not part of the liquidation under way in Hong Kong; and offices in Singapore and India.

This means that Peregrine would no longer have a physical presence in countries such as Thailand, Indonesia, Malaysia, the Philippines or South Korea. Where appropriate, *these countries would be* served from a hub in Singapore, said Mr Jamieson, who heads the group's sales, research and trading arm.

"I would like to believe that we could build up franchises in South Asia relatively quickly again," he added.

The core operations employ about 500 people, including 105 in London.

Peregrine Securities (UK), the London stockbroking subsidiary, said on Friday: "We are a solvent company and a viable business in our own right."

EU to end dispute with US over tallow

Continued from Page 1

manufacturing process. The decision does not directly affect a separate EU initiative to ban a wider range of animal products including ingredients in pharmaceuticals.

But US officials hoped it indicated a less restrictive approach to the use of agro-derivatives.

"For cosmetics and soaps this should resolve the problem, while for other products the use of risk materials (from animals) remains to be discussed," said a European Commission official. "In this case, *there will be no BSE risk.*"

The Commission argues that the use of tallow derivatives in soap and cosmetics is a special case, as it will insist on treatment of tallow to eliminate the risk of passing on BSE.

The Commission is likely to give final approval to the proposals by mid-February.

Ray Calamaro, an advocate for the North American Rendering Industry, said: "The Commission seems to have put in place a solution that will both protect people from BSE and address the concerns of the industry." Apart from the *tallow derivatives contained in* soap and cosmetics, the US exports some $120m of raw tallow to the EU a year.

Last year several attempts to allow the use of treated tallow derivatives in soaps and cosmetics failed because of complications with the Commission's other initiatives against risk materials.

Commission officials said that if necessary other legislation would now be amended to ensure the use of tallow products in soap and cosmetics would be allowed.

European MBAs can 'double alumni's salaries'

By Della Bradshaw

European MBA courses can be good for your wealth. An FT survey* of graduates from Europe's top business schools *shows that master of business* administration degrees from six of them helped alumni to more than double their salaries in under five years.

European business schools **have always been seen as poor relations to the big US business schools – Harvard, Stanford or Wharton. But increasingly the top European schools are carving a niche by providing a more international perspective than their US counterparts.**

The FT survey took a snapshot of the career development of more than 1,000 European MBA graduates who had graduated from accredited European MBA programmes in 1994. All were asked about their salaries before starting the course, on their first job after graduation and three years on.

Almost all had shown sizeable increases in their salaries. Alumni from full-time programmes at 10 schools had, on average, increased their salaries by more than 90 per cent over the period.

In terms of percentage salary increases, the full-time programmes which fared best were those with the youngest students, and consequently the lowest salaries, at the out*set. At the top of the list* was London Business School, where students saw an increase of 174 per cent. Now, on average, they are 33 years old and have an average salary of almost £70,000.

IMD, in Switzerland, had one of the oldest student intakes at 30, and the highest average salary of managers before starting. Students still had an average salary rise of 115 per cent, and now the alumni receive, on average, a salary of more than £85,000.

For women who hope that an MBA might help them smash through the glass ceiling the news is not good.

Although the 157 women trailed only marginally in the salaries they were offered on completing their MBA courses *the divergence between the* salaries doubled over the next three years. Today, the women earn just £48,723 compared with their male peers who earn £59,562.

The 50 business schools asked to participate all had programmes accredited by international bodies. There are more than 200 MBA courses available in Europe, most of which are not accredited and which produce varying results.

*** FT Guide to European MBAs. See separate survey***

THE LEX COLUMN

Taking stock

The spectacular stock market returns of recent years have had an embarrassing side effect; even Wall *Street's finest have found it difficult* to beat the humble index trackers. This year should prove different. Asian turmoil, dollar strength and a slowing domestic economy will con*strain corporate earnings growth* and thus stock market returns. Most equity strategists expect the S&P Composite's total return to fall from 33 per cent in 1997 to 10-15 per *cent; even that looks hard to justify* on fundamentals, but at least it should give stock pickers a chance to show their mettle.

Against such a tough back*ground, defensive stocks, such as* pharmaceuticals and branded goods companies, should do relatively well. Unfortunately, their valuations already reflect this. The big drug companies, for example, are trading at a 40 per cent premium to the market on 1998 estimates. Financials, last year's best-performing sector, should still benefit from consolidation and cost-cutting. But international banks have exposure to the Far East, while the domestic regionals suffer from poor topline growth and could prove vulnerable to rising bad debts as the economy slows.

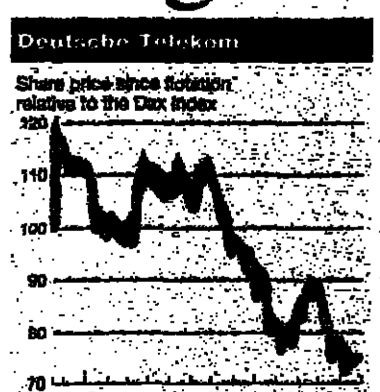
Perhaps the best opportunities, therefore, lie in the technology sector. Industry fundamentals, including demand for personal computers and mobile phones, remain strong, yet even sound companies have been tarred with the Asian brush. But the overriding message is that decent equity returns will probably be hard to come by in 1998.

Japanese banks

For months Japan has tried – and failed – to find solutions to its banking problems. This week it will have another stab. A bill will be *presented to parliament that would* use Y30,000bn of public funds to support the financial sector, including up to Y13,000bn to purchase banks' preferred stocks and subordinated bonds.

These recapitalisation plans are provoking fierce debate, and rightly so. Handled correctly, they might help resolve the banking problem. But there is a risk that they will prolong the pain. Part of the plan – offering banks a capital injection to take over failed groups to ensure a smooth wind-down – is sensible enough. The scheme could provide a carrot to bring about the mergers and failures Japan's over-banked

Deutsche Telekom



Source: Datastream/ICV

system badly needs. The danger lies in the second element: plans to buy preference shares. The current controversy in Tokyo over whether this scheme should cover *banks which* do not need capital, *as well as those* which do, seems back-to-front. The real concern should not be about throwing state funds at the few *which do not need help, but to* ensure that those without a viable future are not propped up. Otherwise the overcapacity which is at the root of Japan's banking problem will linger.

There is, though, a middle group of banks – which are undercapitalised but still probably viable – for which some form of state cash injection could make sense to head off a generalised credit crunch. The snag is that the scheme for buying preference shares in banks misses an important trick. Much better to use the cash to buy the banks' vast shareholdings in other companies. As well as shoring up banks' balance sheets, that would cut the incestuous links between banks and companies which contributed so much to the bubble economy and its subsequent bust.

If that was still insufficient to *bring this middle group back to full* health, the preference share scheme might have a role to play. But only if strict conditions – such as commitments to cutting costs and better disclosure – were attached. The risk, of course, is that the authorities will try to rescue the terminally ill as well as the merely sick. If so, it could turn out to be one of Japan's costliest banking mistakes.

Deutsche Telekom

In advance of this year's onslaught of competition, Deutsche Telekom's boss promised a "surprise every month". Ron Sommer has outdone himself - surprises are running at about one a week. Unfortunately, all are nasty. First came the row over plans to charge customers who want to switch their long-distance calls through rivals. Even if DT has a point, it has lost the public relations battle. Then *came* the abrupt departure of its international director. Now it has announced poor results – in part because of high losses in its international operations but also because *of high costs in its core domestic* business. The worry is that DT will not be terribly good at either defending its home patch or building profit streams elsewhere. Mr *Sommer is trying to get a grip on* this vast bureaucracy, but he is a long way from taming it.

Allied Domecq

In *the* tongue-loosened world of spirits, bid talk now focuses on Allied Domecq. It has, of course, invited this by setting out *its stall to play a role in further industry* consolidation, and by thinking aloud about a demerger. But mention demerger and the words "for sale" seem to appear over constituent parts. So it would be no surprise to see a bid for Allied's spirits division. As this business is the second largest in global spirits, behind Diageo, the bidder would be smaller and almost certainly from the family-controlled ranks that dominate the league outside the two UK quoted entities.

How much could such a company afford without a big equity issue? Last year Allied's spirits division had £414m trading profits, and a better operating cash position. Assuming some synergies and continuing low interest rates outside the UK, from where a bid would come, this would allow a highly leveraged offer of over £4bn. *Allied's enterprise value is nearly* £7bn, implying a residual £2.5bn for its retailing side which looks low. Putting that business on a similar multiple to Bass and Whitbread suggests more than £3bn. *So if* there is a £4bn-plus bid around, shareholders will want to know.

At the very least, such a prospect would force Allied to spell out the benefits of any non-premium tie-up between its spirits business and that of Seagram, its nearest rival. While it is plausible that this combination would produce the most synergies, doubts might linger over how and when shareholders would receive their gains.

FT WEATHER GUIDE

Europe today

There will be snow across much of Scandinavia except in the far south, which will have rain, and in a few northerly areas, which will remain dry

The Low Countries, Germany, Austria, Switzerland and France will turn colder from the north. Showers will merge into longer spells of rain at times, turning wintry in the north late in the day.

Northern Spain will be mainly cloudy with rain in places. Southern and central Spain and Portugal will have plenty of sunshine.

Heavy rain will move slowly south across Italy. There will be showers in the western Mediterranean.

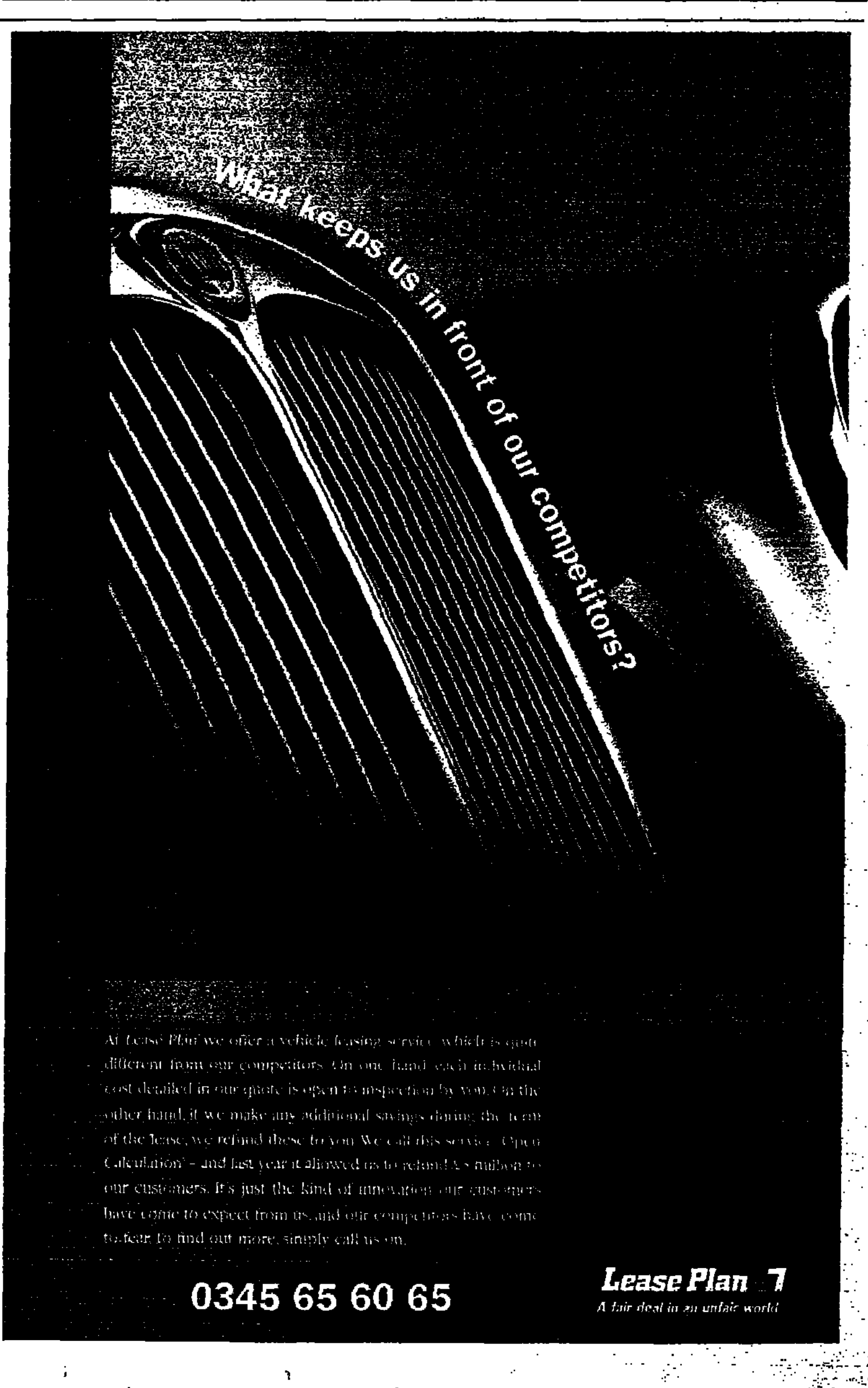
Five-day forecast

The central and western Mediterranean will be unsettled with rain in most parts, heavy and prolonged at times. Eastern and northern Europe will be cold with snow in places. North-west Europe will become milder later in the week as rain spreads from the west.

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun -3	Cardiff	Fair 5	Frankfurt	Hail 6	Madrid	Cloudy 15	Rangoon	Sun 32
	Celsius	Belfast	Shower 4	Casablanca	Fair 19	Geneva	Rain 6	Majorca	Cloudy 20	Reykjavik	Snow 0
Abu Dhabi	Sun 24	Belgrade	Fair 11	Chicago	Fair -1	Gibraltar	Fair 19	Malta	Fair 18	Rio	Thunder 30
Accra	Sun 32	Berlin	Rain 6	Cologne	Hail 5	Glasgow	Fair 5	Manchester	Sleet 5	Rome	Rain 14
Algiers	Fair 21	Bermuda	Fair 20	Dakar	Sun 32	Hamburg	Rain 7	Manila	Fair 31	S. Frsco	Shower 13
Amsterdam	Shower 6	Bogota	Fair 21	Dallas	Sun 13	Helsinki	Sleet 2	Melbourne	Fair 25	Seoul	Fair -3
Athens	Cloudy 14	Bombay	Sun 30	Delhi	Sun 21	Hong Kong	Fair 14	Mexico City	Shower 22	Singapore	Fair 32
Atlanta	Fair 8	Brussels	Shower 6	Dubai	Sun 23	Honolulu	Fair 28	Miami	Fair 26	Stockholm	Sleet 3
B. Aires	Sun 30	Budapest	Shower 6	Dublin	Fair 5	Istanbul	Cloudy 10	Milan	Rain 10	Strasbourg	Shower 5
B.ham	Shower 4	C.hagen	Rain 5	Dubrovnik	Rain 13	Jakarta	Fair 32	Montreal	Snow -3	Sydney	Shower 25
Bangkok	Sun 33	Cairo	Fair 20	Edinburgh	Sleet 4	Jersey	Hail 9	Moscow	Snow -2	Tangier	Fair 18
Barcelona	Shower 18	Caracas	Sun 28	Faro	Fair 19	Johannesburg	Shower 24	Munich	Sleet 2	Tel Aviv	Shower 19
						Karachi	Sun 28	Nairobi	Fair 25	Tokyo	Fair 10
						Kuwait	Sun 16	Naples	Rain 15	Toronto	Snow -2
						L. Angeles	Fair 17	Nassau	Fair 26	Vancouver	Rain 6
						Las Palmas	Fair 23	New York	Fair 3	Venice	Rain 8
						Lima	Fair 30	Nice	Fair 16	Vienna	Shower 4
						Lisbon	Cloudy 18	Nicosia	Shower 16	Warsaw	Fair 3
						London	Fair 4	Oslo	Snow 0	Washington	Cloudy 4
						Lux.bourg	Sleet 3	Paris	Shower 6	Wellington	Shower 19
						Lyon	Shower 9	Perth	Sun 30	Winnipeg	Fair-10
						Madeira	Cloudy 19	Prague	Hail 4	Zurich	Shower 4



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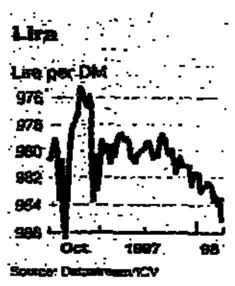
FINANCIAL TIMES

COMPANIES & MARKETS

 Monday January 19 1998 Week 4

INSIDE

Italian lira back in the spotlight



The Italian lira will be in the spotlight this week after a conflict between members of the European Union over Italy's membership of the European single currency. Klaus-Dieter Kuchbacher, Bundesbank council member, said there were reasons to be critical of Italy's prospects of joining European economic and monetary union in the first wave. Currencies, Page 21

Peugeot-Citroën set to pool work
Jean-Martin Folz, president of Peugeot-Citroën, is expected soon to announce a reorganisation. One of the main thrusts is likely to be to increase the extent the French carmaker's factories specialise by platform rather than by marque, leading to a reduction in costs. Page 19

INTERNATIONAL EQUITIES
Banks' privatisation fees tumble
Fees earned by investment banks for working on Europe's privatisation deals are falling. The sale of the final tranche of shares in Argentaria, the Spanish banking group, carries a fee of 1.75 per cent of gross proceeds to be shared among all the banks in the syndicate. Page 20

COMMODITIES
US live cattle futures hit two-week high
US livestock markets began 1998 with large supplies and flagging demand from packers and retailers, and the Asian crisis threatening exports. But last week ended on a happier note, with live cattle futures hitting a two-week high on the Chicago Mercantile Exchange. Page 21

EMERGING MARKETS
Asian M&A market likely to expand
The economic nationalism that kept corporate Asia closed to outsiders is being abandoned because corporate demand for capital is outstripping supply. The Asian mergers and acquisitions market is expected to expand. Page 22

MARKETS THIS WEEK
London
The strength of the UK market was illustrated on Friday when the FTSE 100 index rose 97.3 to 5,263.1. The market starts the week 67 off its all-time closing high. Page 21

Tokyo
Investors in Tokyo will be looking for signs that the government is moving towards adopting additional stimulus measures before the end of the fiscal year. Last week closed with a rally in Tokyo spurred by comments from government officials that measures were in store. Page 21

Frankfurt
German shares are expected to remain fairly resilient to the uncertainty over Asia, with concern about the long-term impact of the crisis offset by signs that solutions are being implemented. The DAX index gained 1.8 per cent on Friday to close at 4,216.24. Page 21

New York
Today US equity and bond markets are closed for a public holiday, but tomorrow could be hectic as events unfold in Asia and the US quarterly earnings season gets under way. Page 21

FT GUIDE TO THE WEEK – full listings Page 32

EURO-ARCTIC TALKS
The Barents Euro-Arctic Council of foreign ministers from the four Nordic countries and Russia meets today in Lulea, Sweden, for two days of talks on trade and environmental issues in the region. It is the council's fifth meeting.
COHEN TO VISIT CHINA, JAPAN AND KOREA
William Cohen, US defence secretary, leaves China for Japan tomorrow for a meeting with Ryutaro Hashimoto, Japan's prime minister. He will travel to Korea on Wednesday.
POPE SET FOR FIRST TOUR OF CUBA
On Wednesday, Pope John Paul II starts a five-day tour of Cuba, his first visit to the island.

Companies in this issue

Market Statistics http://www.FT.com

Big Russian oil groups to merge

New producer will be in world top three

By Chrystia Freeland and John Thornhill in Moscow and Robert Corzine in London

Yukos and Sibneft, two of Russia's leading oil companies, will today announce a merger creating one of the world's top three oil producers.

The emergence of a new company, to be called Yuksi, will dramatically reshape Russia's corporate and political landscape. It will account for roughly 22 per cent of Russia's crude oil production, pushing Lukoil, previously Russia's biggest oil company, out of the top position in the industry.

The merger, a first among leading Russian companies, is also expected to open the way for a possible strategic partnership with a western oil company, probably along similar lines to deals announced late last year by Royal Dutch/Shell and Gazprom and British Petroleum and Sidanco. Bankers said Yukos executives had met several US oil companies recently, as well as Elf Aquitaine of France.

The Yukos/Sibneft tie-up will reinforce their joint effort to win control of Rosneft, the largest Russian oil company still to be privatised. Rosneft is due to go on sale later this year and is expected to provoke a fierce contest between Russia's largest companies.

The creation of Yuksi will also formally seal the partnership between two of Russia's most powerful financial barons: Mikhail Khodorkovsky, chairman of Yukos, and Boris Berezovsky, a leading Russian businessman and financier who has close links to Sibneft.

The deal has been strongly supported by Victor Chernomyrdin, the Russian prime minister, who draws much of his political support from the oil and gas sectors.

Although the two companies are financially weak, executives hope they can achieve significant savings.

"The transaction reflects a trend toward consolidation in the [Russian oil] industry, creating a smaller number of better capitalised and more globally competitive Russian oil companies," said Mr Khodorkovsky.

Mr Khodorkovsky will be president of Yuksi. His chief deputy will be Yevgeny Shvidler, currently chief financial officer of Sibneft, who will perform the same job in Yuksi.

As of January 1, Yukos had proven reserves of 9.75bn barrels of oil and Sibneft had proven reserves of 4.1bn barrels. The reserves of Eastern Oil, recently bought by Yukos, have not yet been audited, but they are estimated at 2.6bn barrels.

The creation of Yuksi will mean a continuation of the process throughout the Russian oil industry whereby shares in oil-producing subsidiaries are consolidated into larger holding companies.

However, as it announces its merger today, Yuksi will face pressure from western minority shareholders who feel they have been given a raw deal. A minority investor in Tomskneft, a subsidiary of Eastern Oil, has summoned an extraordinary shareholders' meeting today.

In a letter to Tomskneft's board, Acirota, a US investment company, wrote it was an "open secret" that some of Russia's big oil companies had "systematically looted the production subsidiaries of their companies through transfer pricing schemes, asset sales at below market prices and other questionable transactions with affiliates and insiders".

Domecq considers options for drinks arm

By John Willman, Consumer Industries Editor

Allied Domecq has received an approach from at least one bidder interested in buying its drinks business, maker of Teacher's and Ballantine's scotch whisky, Beefeater gin and Sauza tequila.

The spirits and retailing group has been in talks with several drinks companies since the announcement in May of the £23bn ($37.5bn) merger of Guinness and Grand Metropolitan to form Diageo, the world's largest drinks company.

Goldman Sachs, the US investment bank that is advising on the options, favours a joint venture pooling Allied Domecq's drinks interests in a joint venture with Seagram, the Canadian drinks and entertainment group.

But Allied Domecq has not ruled out a demerger of the two halves of its business if that would create greater value for shareholders.

Diageo will have more than twice the market share of Allied Domecq, a full range of spirits brands and an almost seamless global distribution network. It is also expected to release more than £200m in efficiency savings through the merger of the two head offices and the distribution networks.

The Diageo merger prompted a wave of speculation about a similar tie-up between Allied and the other large global drinks companies. These include Bacardi, the US rum-maker that owns Martini, JBB, which makes Jim Beam bourbon, Pernod Ricard, the French group, Suntory of Japan and Brown Foreman, maker of Jack Daniel's.

Allied yesterday refused to comment on the approach, or on a newspaper report that a deal with Seagram was imminent.

But a joint venture with Seagram would come closest to giving a range of brands that could compete with Diageo and make equivalent savings. Seagram's portfolio includes Chivas Regal luxury scotch, Absolut vodka and Mumm champagne, but lacks a premium scotch like Ballantine's.

An early decision would also allow the two to avoid a bidding war for Dewar's, the number one scotch in the US, which Diageo must sell by June to satisfy the regulators.

Lex, Page 16

DMG's Harrison stresses investment banking

By Clay Harris, Banking Correspondent

Bill Harrison, the former BZW chief executive who is to take a senior role at Deutsche Morgan Grenfell, said yesterday he was "absolutely convinced" that his new German employer would not pull back from investment banking the way Barclays had.

Mr Harrison is to join DMG in March as vice chairman in charge of global corporate business for the Deutsche Bank subsidiary.

He will have a significant role in developing and running the new wholesale bank that Deutsche plans to create by combining DMG and its own corporate banking business.

Mr Harrison quit BZW abruptly in October after Barclays changed course and decided it was not willing to make the investment necessary to enable BZW to compete on a global scale.

BZW's corporate advisory and equities businesses have since been sold to Credit Suisse First Boston or closed.

Despite its size as one of Europe's largest banks, Deutsche has not been immune to speculation about its ability and willingness to compete with the large US-based investment banks that dominate the world market.

Mr Harrison admitted yesterday he had been concerned about the risk of repeating the Barclays experience.

Deutsche Bank had given him plenty of time and opportunity to address this issue, Mr Harrison said. He had met each of the 10 members of the bank's *Vorstand*, or management board.

His arrival and the imminent re-organisation will mean new jobs for several other senior executives at DMG.

Michael Dobson, who will not be replaced as DMG's chief executive, said yesterday: "A number of people are evolving their roles as this process continues."

Carter McClelland and Maurice Thompson, currently joint heads of investment banking, will be moved to new jobs. Mr McClelland will return to New York and be responsible for the Americas. Mr Thompson will take a senior role involving contact with clients, Mr Dobson said.

Mr Dobson himself will remain on the *Vorstand*, of which he is the only non-German member. He may take responsibility for the combined asset management businesses of Deutsche and DMG, which together oversee assets worth $270bn.

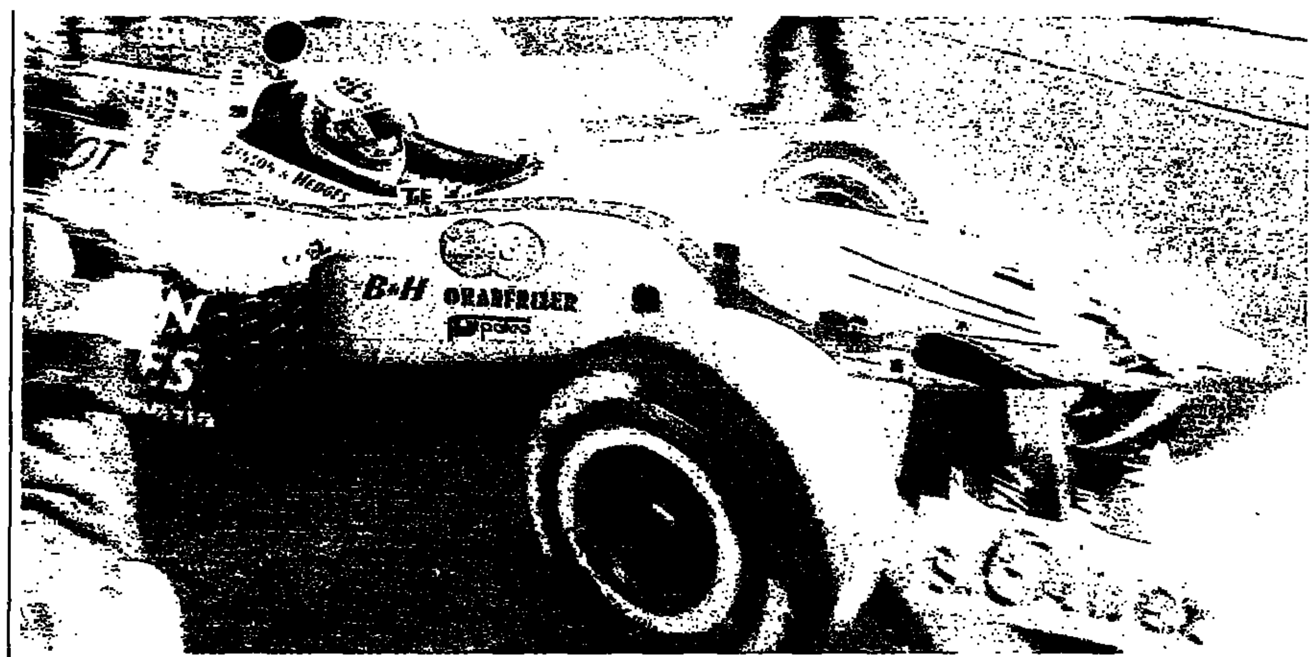
With both regional and functional responsibility on the *Vorstand*, Mr Dobson said: "I clearly wouldn't be walking away from the investment banking business."

Mr Harrison will report to Ronaldo Schmitz on the *Vorstand*.

Edson Mitchell and Michael Philipp are expected to remain in charge of global markets and equities, respectively.

DMG approached Mr Harrison soon after his departure from BZW. He had also been sounded out by other continental European banks, as well as by the US.

He also received offers of backing for his own boutique corporate advisory business.



Continental shift: the Jordan motor racing team, including top driver Ralf Schumacher (above), is to be sponsored by UK high street bank National Westminster. It plans to promote its card services operations in the UK and continental Europe. The rival HSBC banking group, principal sponsor of the Stewart team, is using Formula One to promote global brand awareness Picture: AP

Singapore invests in Grosvenor

By Norma Cohen in London

The Singapore government has taken a 25 per cent stake in the Duke of Westminster's European property business.

The move, by the government's highly secretive investment arm, will help Grosvenor Estate Holdings – the company owned by the Duke and his family – in its attempts to extend its overseas investments.

The Singapore government and private concerns have been active investors in UK property, but this is understood to be the first significant move by government bodies into Continental European real estate.

Paris Properties Private, a business affiliated to Government of Singapore Investment Corporation Private (GIC), has taken the stake in Grosvenor First European Property Investments (GFEPI), a company formed by Grosvenor for its continental property investments.

GIC and its affiliate, the Central Provident Fund, have significant investments in listed and unlisted equities, bonds and properties around the world.

In November, Grosvenor announced the sale of a portfolio of properties at some of the most prestigious addresses in central London, mostly to raise finance to expand on the Continent. Already, nearly 10 per cent of its portfolio is in continental Europe. A further 1 per cent is in Asia, and roughly 5 per cent is in the US and Australia.

Grosvenor said it had been investing in continental Europe since summer 1996, and its GFEPI vehicle now holds stakes in four companies. It owns 25 per cent of Sonae Imobiliaria SGPS, Portugal's leading developer of shopping centres, as well as a 9.2 per cent interest in Societe Fonciere Lyonnaise, France's fourth largest listed property company.

It also holds a stake in Hermanos Revilla SA, owner of a high-quality office portfolio in Madrid, and has formed a joint venture with Exor SA to expand its holdings of prime office properties in main European business centres.

Grosvenor has moved to expand its own investment activities in south-east Asia, forming Grosvenor Shaw Asset Management in Hong Kong.

Arthur Andersen seeks more time to meet charges

By Jim Kelly in New York

Arthur Andersen will tomorrow try to gain more time in the bitter battle with its sister firm Andersen Consulting – which is trying to split the world's largest professional services organisation in two.

In what will be seen as spoiling tactics by Andersen Consulting, the company will break its silence about allegations of breach of contract. It will lodge documents with international arbitrators in Paris seeking more time to respond to charges that it has been unfairly competing with Andersen Consulting.

Late last year, Andersen Consulting took its long-running $11bn dispute about competition and governance to the International Chambers of Commerce (ICC) seeking contractual freedom from the long-established Arthur Andersen.

Arthur Andersen will tomorrow dispute that the claim can simply be heard by arbitrators at the Paris-based ICC, arguing that many of its member firms are still contractually bound by long-established Swiss arbitration laws.

Its response to Andersen Consulting's 50-page claim to the ICC will initially come from each of more than 100 member firms worldwide, rather than in a consolidated form from Arthur Andersen.

Arthur Andersen had 30 days to respond to the claim and it will meet its deadlines, but it is understood that it will argue that Andersen Consulting had been preparing its unexpected claim for several months and it wants similar treatment.

That raises the prospect of a prolonged legal dispute before arbitration can begin.

While Arthur Andersen is prepared to go to arbitration, it is understood that it wants these legal points cleared first – particularly those regarding the complex global structure of the firm. "We will eventually rebut their claim – and lodge counter-allegations and a counter-claim," said a partner in the US.

Arthur Andersen says it is an organisation of separate national firms collected together on a global basis to market services.

Andersen Consulting has been able to react to the crisis more quickly because its firms – which do not provide services such as audit and so are largely unregulated – can co-ordinate tactics more easily.

The claim may dissolve into more than 100 separate actions. Andersen Consulting is likely to resist fiercely that route to arbitration. It wants a single claim heard by the ICC, so that it can achieve its freedom quickly.

Andersen Consulting's claim is believed to concentrate on alleged breach of contract in the UK and US firms. Arthur Andersen may be seeking to split the claim and to frustrate Andersen Consulting's ambitions to be free of all contractual links with its sister firms. It may also eventually dispute the legality of the San Francisco meeting.

EC concern, Page 19

COMPANIES AND FINANCE

Privatisation plan by satellite operators

By Christopher Price

Inmarsat and Eutelsat, two of the world's biggest satellite operators, are considering an initial public offering next year after abandoning their co-operative ownership and restructuring as private companies.

Analysts said the combined valuations on the highly profitable businesses would most likely be in excess of $3bn and would result in large returns for their shareholders. These include some of the world's biggest telecommunications groups, such as British Telecommunications, which has a 22 per cent stake in Eutelsat, and an 8 per cent share of Inmarsat. Comsat of the US is Inmarsat's largest shareholder, with 23 per cent.

The companies are eager to raise funds to expand their satellite coverage. A huge increase in demand for satellite services has been driven by television and multimedia services, such as the internet.

At the same time, commercial satellite operators have emerged and have begun to eat into the market dominance enjoyed by the co-operative organisations, Inmarsat, Eutelsat and Intelsat.

"These organisations were designed in another age," said Geoff King, satellite strategy manager for BT and chairman of the Inmarsat shareholder council. "They are too slow and bureaucratic to compete with private enterprise."

Privatisation would allow them to raise debt and bring in shareholders from outside the industry to help fund growing capital demands. Eutelsat, for example, plans to launch five satellites this year – doubling its capacity – at a cost of $750m.

Public listings would allow investors to realise the value of their holdings. Shareholders are known to have been encouraged by the recent valuations given to new satellite ventures on the US Nasdaq market.

Pressure for change has also come from rival commercial satellite operators, which view the semi-diplomatic status enjoyed by the co-operatives – which means that among other benefits they do not pay taxes – as an anomaly as the global telecoms market moves towards liberalisation.

Inmarsat, which has 81 members, is the most advanced towards its reorganisation with a shareholder meeting due in the next two months. Mr King said was confident the change would be approved. Inmarsat reported revenues of $363m in 1996. Eutelsat's 46 members meet in May. It made profits of $140m on sales of $415m in 1997.

If approved, both decisions would have to be ratified by the shareholders' national governments.

Asia-Pacific countries attract bargain hunters

By Clay Harris and Jonathan Ford

The value of cross-border acquisitions in Asia-Pacific countries fell by 50 per cent in the second half of 1997, but western companies actively engaged in bargain-hunting in the region, according to two reports published today.

Although the collapse of some local currencies magnified the decline in dollar terms, the number of deals also fell in most Asian countries, according to an annual survey of global takeover activity by KPMG, the accountancy firm.

The biggest decline was in Japan, with inward corporate investment sliding to $800m (£490m) against $4.78bn in 1996.

Malaysia, Singapore, Thailand, Vietnam and China also saw declines in inward corporate acquisitions from the previous year. South Korea, Indonesia and Hong Kong achieved increases on 1996, but shared in the second-half slump.

A separate report by Robert Fleming, the UK investment bank reveals that western companies kept buying in Asia, while intra-regional deals fell sharply. The value of deals by western companies actually increased in the second half to $6.2bn, compared with $5.7bn in the first six months.

Laurence Heyworth, emerging markets strategist at Flemings, said western managers had seen falling Asian equity prices as a "once in a lifetime opportunity". He added: "In many areas, such as hotels and cement, assets are actually trading at a discount to their replacement cost value."

In 1997 overall, the value of cross-border deals into the Asia-Pacific region fell by 22 per cent to $47.5bn, against a worldwide rise of 21 per cent to a record $332.6bn, according to KPMG. It includes mergers, acquisitions and strategic investments by foreign companies.

The UK closed the gap on the US as the most attractive destination for such cross-border deals. Acquisitions of UK businesses by foreign companies reached a record $53bn in 1997, compared with $59.8bn spent in the US.

They had also ranked first and second in 1996, when the US attracted $70.6bn investment and the UK $39.2bn.

KPMG said the buying spree in the UK was part of a surge in activity in Europe ahead of economic and monetary union.

Stephen Barrett, head of M&A at KPMG Corporate Finance in London, said: "We expect Britain to remain the most powerful magnet in Europe for the foreseeable future. There is every chance that, despite its much smaller economy, it will overtake the US this year as the world's favourite country for international corporate acquirers."

Flemings said total cross-border M&A activity into emerging markets more than doubled to $67bn in 1997. Of that, Latin America accounted for $29bn, emerging Europe saw deals worth $20bn, while Asia lagged behind with about $18bn.

Hot zones for inward corporate investment

Country	Value ($bn)
1. US	59.82
2. UK	53.04
3. Germany	19.83
4. Netherlands	17.55
5. France	12.78
6. Brazil	12.06
7. Canada	11.56
8. Australia	11.39
9. China	10.54
10. Italy	8.92

1997 mergers, acquisitions, strategic investments by foreign companies
Source: KPMG Corporate Finance

Hope for Asian M&As, p27

Colin Beere

Wrapped up in his work: Gilles Silberman of Cauval

French bedmaker nestles down

Cauval Industries, the French upholstery and furniture group listed on the over-the-counter market in Paris, will today announce the acquisition of its third UK bedding company, writes David Blackwell. It is paying cash for Nestledown, a private company based in Kent. The price will not be disclosed, but is understood to be well below Nestledown's annual turnover of £20m. Gilles Silberman of Cauval said yesterday that the acquisition would bring the group "closer to its stated goal of establishing a leading presence within the European bed market."

Cauval, which has total annual sales of about £200m, is making the purchase through Continental Sleep Holdings, its UK company which already owns Sleepeezee and Cumfilux Beds. The deal will lift CSH's total sales to more than £50m a year, putting it third in the UK bed market behind Silentnight and Airsprung, both listed on the stock exchange.

Gerald Raingold, deputy chairman of Dawnay Day, Cauval's UK advisers, said further bolt-on acquisitions would be considered as consolidation continued in the market. Another option under consideration was the flotation of the UK bedding business in the next 12 to 18 months.

Shell explains policy changes to investors

By Robert Corzine

Royal Dutch/Shell has held its first meeting with institutional shareholders to explain controversial new policies on environmental and social responsibilities.

Mark Moody-Stuart, chairman of Shell Transport and Trading, the UK arm of the Anglo-Dutch group, said the good attendance at a recent London meeting was proof that institutions were keen to understand the non-financial side of Shell's business.

The company has been heavily criticised in recent years over its environmental and human rights record.

Last year it announced changes to the way it conducts its business, and for the first time made explicit its commitment to promote basic human rights in the countries where it operates.

Shell denied that the meeting with institutions was intended to head off another attempt by pressure groups to force the company into adopting stricter environmental and social policies. Last year Pirc, the UK corporate governance pressure group, received the backing of several institutional investors for a resolution calling on Shell to adopt tougher policies and more stringent reporting practices.

Mr Moody-Stuart said he was "reasonably relaxed" about the prospect of another critical resolution emerging this year.

He disagreed with the argument that institutional shareholders were not interested in issues such as social responsibility. He also dismissed suggestions that an emphasis on such issues could impair Shell's financial performance. "I don't think there is a fundamental conflict between financial performance and 'soft' issues," he said. "Many shareholders want outstanding financial returns in a way they can feel proud of or comfortable with."

Although he had worried that the presentation to investors would wind up being "two and a half hours of motherhood and good intentions," he was satisfied that it had sparked off lengthy questioning and debate.

Shell was also making progress in preparing its first report on the financial, environment and social aspects of its global operations. The company has asked a number of NGOs what they want to see in the report, and although many are "sceptical to suspicious about the outcome, at least they are taking part in the process," said Mr Moody-Stuart.

He said Shell's decision to involve itself more deeply in environmental and social issues had been greeted with dismay by other large international companies: "The others say you must be out of your tiny heads."

Pearson looks at Future auction

By David Blackwell

Pearson, the media company that owns the Financial Times, is looking at a possible auction of Future Publishing, the consumer magazine division, which might fetch up to £150m.

Apax is among venture capitalists known to be interested in the business. It said yesterday that it had cast an eye over Future before Christmas, and would be interested in looking at it again.

"But these things are going for very high prices at the moment – and price would be the biggest issue," said the group, which owns 33 per cent of Quantum, the publisher of business magazines including Media Week and UK Press Gazette.

Pearson said yesterday that it did not comment on market speculation.

Future Publishing's magazines cover computing, music, sports and entertainment. Titles include Total Football and Classic CD.

Pearson bought the publisher for £52m in 1994, and has invested a further £8m. A sale would help to reduce group debt, which rose to £834m last October after the £232m acquisition of All American, the US television production company.

At the time Marjorie Scardino, Pearson's chief executive, said that despite gearing of 470 per cent she was "comfortable" with the level of interest cover, but emphasised that debt could be reduced through asset sales.

Pearson is also understood to be close to buying for £30m Reed Elsevier's children's books division, which publishes Thomas the Tank Engine. The acquisition would make Penguin – which already has Puffin, Ladybird and Frederick Warne – the leading UK publisher of children's books.

Air France heads for partial sell-off

By David Owen in Paris and Vincent Boland in London

The French government has set the ball rolling for the partial privatisation of Air France. Up to 50 investment banks last week submitted initial presentations for the roles of adviser to the government and lead manager on the deal.

This could result in up to 30 per cent of the carrier's capital being sold in what is set to be one of the flagship European privatisations of 1998.

"All the big names were there. This is going to be one of the most publicised deals of the year if it happens," one investment banker said. The mandate is unlikely to go to a single bank, however, and if previous practice is upheld a French bank will have a leading role.

Ministers have given clearance for the sale of a minority stake in the group, which recently gave new evidence of its financial turnround by unveiling tripled interim profits of FFr1.76bn ($280m).

The company plans to offer about 20 per cent of its capital to staff, leaving about 30 per cent for other buyers. It remains uncertain whether it will seek to exchange shareholdings with other international carriers, such as Delta Air Lines and Continental Airlines of the US, with which it has partnership agreements.

Patrice Durand, the carrier's vice-president, finance, recently indicated it might take advantage of the planned partial privatisation to increase capital. The deal is not expected before June.

The Socialist-led government of Lionel Jospin has appeared less hesitant about sanctioning disposals of public assets since last autumn's successful sale of a minority stake in France Telecom, the former monopoly operator, in the largest French initial public offering.

The Air France deal may, nonetheless, stoke up controversy in a country not used to seeing its core public services pass even partly into private hands. Already, the SNPL pilots' union has demanded the withdrawal of proposals to offer about half the shares earmarked for employees to pilots in return for a 15 per cent pay cut.

One banker said last week that an audit to study the feasibility of the shares-for-salary cuts proposal would have to be completed by the end of May, although the flotation is not thought to be dependent on the stake being sold to staff.

Air France's book value is understood to be about $12bn.

Happy winter's tale for New Look shops

By David Blackwell

New Look, the women's wear chain of 430 shops which is one of the UK's fastest-growing retailers, boosted like-for-like sales by 10 per cent in the seven weeks to January 10.

Total sales were 21 per cent higher than previously, including sales from more than 40 shops opened since the end of March.

Tony Collyer, finance director, said yesterday that Christmas trading had been spread over a longer period, but had stayed "fairly healthy" in the new year. The group still intended to float in the next two years, but there was no timetable.

The figures follow statements earlier this month by Burton Group, the UK's second largest clothing retailer, and Monsoon, the fashion retailer that is coming to the market. Burton's total sales rose 7.6 per cent in the 18 weeks to January 3.

Monsoon, announcing a 5 per cent rise in first-half sales in its draft prospectus, reported strong like-for-like improvements in the last few days before Christmas, with the trend continuing in the winter sale.

State boost for Crédit Foncier

By Andrew Jack in Paris

Crédit Foncier de France, the state-owned specialist property lender, is to receive a financial boost from the government just as it enters negotiations for a partnership with potential investors.

The French government on Friday announced reforms to the PAP, a housing loan for those on low incomes, which provides a large proportion of Crédit Foncier's business, estimated to cost FFr1bn to FFr2bn ($163m to $327m) over 10 years.

The changes come just ahead of the opening of the "data room" from today organised by Deutsche Morgan Grenfell, Crédit Foncier's banking adviser, in an effort to find a partner willing to recapitalise the institution and keep it alive.

Dominique Strauss-Kahn, economics, finance and industry minister, unveiled reductions in the interest rate on the PAPs, from more than 10 per cent to 7 per cent, to come into effect in the next few weeks.

He stressed that the measures were designed to help ease the financial difficulties of an estimated 500,000 clients on low incomes who were still paying high interest rates on their home loans.

The action should also reduce pressure from existing holders of PAPs to seek early reimbursement in an effort to avoid high interest charges in the light of lower rates available from commercial banks.

The reimbursements were eating into the commissions paid by the state and reducing the loan portfolios of PAPs held by two institutions: Crédit Foncier and Comptoir des Entrepreneurs, another specialist property lender bailed out by the state and now controlled by AGF, the insurance group.

However, the modifications could trigger additional administrative charges for the two institutions and the French government, since Mr Strauss-Kahn stressed on Friday that no PAP clients should be required to pay for the restructuring of their loan.

PAPs were introduced in 1977, and were phased out by 1995. Their replacement by other housing finance products available throughout the French banking network weakened the position of Crédit Foncier de France and helped precipitate a crisis in the group which led to it being taken over by the state in 1996.

Jérôme Meyssonnier, the new "governor" appointed to head the institution, estimates that Credit Foncier requires a capital injection of FFr2.5bn-FFr3bn to bring it to adequate solvency levels, and a further FFr2.6bn to reimburse a loan made in order to finance the takeover by the state.

Peugeot-Citroën set to pool costs

Last year was Renault's year. The closure of its Belgian factory at Vilvoorde and its drive to reach a two-year target of cutting production costs by FFr3,000 ($490) a car meant the French carmaker's attempts to improve efficiency were seldom out of the public eye.

This year will be the turn of Peugeot-Citroën, Renault's main French rival, to command attention. Jean-Martin Folz, the recently installed president who faces the difficult task of succeeding Jacques Calvet, a European motor industry institution, is expected soon to announce an important reorganisation.

Details of the changes are a closely guarded secret, but one of the main thrusts is likely to be to increase the extent to which the group's factories specialise by platform rather than by marque.

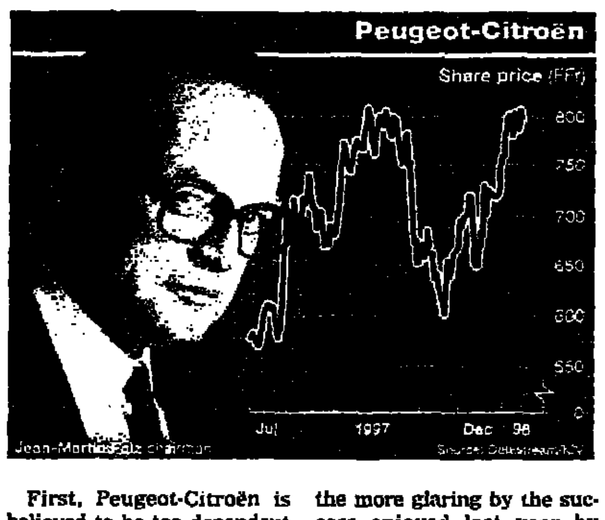
At present, the vast majority of the group's French assembly plants are dedicated either to one marque or the other: Citroën at Rennes and Aulnay, Peugeot at Sochaux, Mulhouse and Poissy. Vigo in Spain is one of the few factories that assembles both.

Mr Folz has already given a strong hint of his plans to employees, arguing that the group "must pursue the pooling between Automobiles Peugeot and Automobiles Citroën of everything that is not linked to the marque or to clients".

Analysts expect the market to respond favourably to the announcement. The need to cut costs is widely recognised. Though first-half 1997 results were better than expected, the group's operating margin was scarcely above 1 per cent.

The French manufacturers were hit hard last year by the depressed domestic market, where new car registrations were the lowest for more than 20 years. But Sabine Blümel, European motor analyst at IMI Sigeco in London, expects only a modest improvement in 1998, with earnings per share rising to FFr31 after a projected FFr28 in 1997. Other analysts argue that the restructuring is coming very late compared with some of the group's main competitors.

There are also doubts about whether Mr Folz's actions will address longer-term problems. These are said to be three-fold.



Jean-Martin Folz: chairman

First, Peugeot-Citroën is believed to be too dependent on western Europe. It is seeking to address this, in part, by announcing plans for a big investment in the Brazilian state of Rio de Janeiro.

However, once again, it is thought to be acting very late compared with its rivals, which have invested heavily in South America in recent years.

Second, observers worry that Peugeot-Citroën may have lost its ability to produce exciting cars – an alleged weakness made all the more glaring by the success enjoyed last year by Renault's Mégane Scénic. The scheduled replacement for the Peugeot 205, due later this year, is seen as crucial. In Ms Blümel's words: "they have to get it right."

Certainly, the reputation for inspired idiosyncracy Citroën enjoyed when General de Gaulle was being driven around in a sleek, elegant Citroën DS is reckoned to have gone.

Analysts also worry that the brand differentiation between the two marques has become inadequate.

Keith Hayes, motor industry analyst with Goldman Sachs, argues that Peugeot and Citroën have become "barely distinguishable", in contrast to, say, Germany's Volkswagen, whose brands, he says, are targeted at different groups.

To make his task harder, Mr Folz does not have the luxury of time on his side. In 1999, the restrictions on Japanese exports to the European market are due to disappear. Last year's 12.4 per cent increase in Japanese new car registrations – versus growth of 4.5 per cent for the overall west European market – is seen as a sign of things to come.

Although Japanese companies have had little success in penetrating the French market, Peugeot-Citroën and Renault are expected to come under pressure when the restrictions are lifted.

"Peugeot-Citroën and Renault are in the medium term very vulnerable to a reasonable level of Japanese penetration in the French market," says Mr Hayes. "The Toyota decision to locate there is a sign that the screw is beginning to turn."

David Owen

Kirch, Bertelsman move against US

By Frederick Studemann in Berlin

Kirch and Bertelsmann, the German broadcasting groups, are seeking to restrict the influence of US film studios from Premiere, their proposed digital pay-TV venture.

Plans drawn up by the two companies, which are awaiting clearance from the European Commission for their merger, show that Kirch and CLT-Ufa, the Luxembourg-based media group in which Bertelsmann owns a 40 per cent stake, will try to stop Hollywood studios taking up options to acquire equity stakes in Premiere.

If they cannot exclude the studios, Kirch and CLT-Ufa say they will seek to ensure board decisions at Premiere can only be made with their votes.

The studios were given equity options in programme output deals with Kirch and CLT-Ufa two years ago, when the two companies were trying to establish rival digital pay-TV ventures.

Kirch made commitments estimated to total DM10bn ($5.47bn) after signing deals with Paramount, Columbia, Universal, Warner and Disney. CLT-Ufa signed deals with Fox and Dreamworks. This gives them a near monopoly on the pay-TV distribution of US films and television programmes.

But the output deals are also one of the biggest financial problems affecting the development of digital pay-TV in Germany, which, according to Kirch and CLT-Ufa, could become a market generating DM2.9bn in sales within five years.

Kirch's commitments to Hollywood were calculated on the basis of "subscriber guarantees". The studios are paid a set fee per pay-TV subscriber. To ensure a minimum return, the studios were given guarantees on the number of subscribers. If the projected figure was not met, then Kirch would make up the difference.

Since launching its digital pay-TV network DF-1 in 1996, Kirch has fallen dramatically short of projections for subscriber numbers. The resulting financial burden was one of the main reasons for its decision to make peace with CLT-Ufa and refocus on developing digital pay-TV around Premiere, a subscription channel that currently uses analogue technology and has over 1.5m subscribers.

CLT-Ufa will pay Kirch DM500m for losses incurred in launching DF-1. In return, Kirch will close DF-1 and provide programming to Premiere. CLT-Ufa has also agreed to take on half the burden of the commitments made to Hollywood as well as "carriage deals" which allow some studios to put their own television channels on the German digital pay-TV platform.

In a series of position papers sent to the European Commission, copies of which have been seen by the Financial Times, Germany's federal cartel office has advised the Brussels authorities to block the deal on the grounds that it will not only create a monopoly in digital pay-TV but also an oligopoly in advertising-funded free-TV.

Between them, Kirch and CLT-Ufa control most of Germany's free-TV. The two companies say "strict boundaries" have been set between pay and free-TV.

The cartel office, however, believes there is a real danger that the two companies will co-ordinate their use of programming.

Ford plans Russian joint venture

By Haig Simonian, Motor Industry Correspondent

Ford Motor, the world's second biggest carmaker, will join the growing list of motor manufacturers targeting Russia with plans for a $150m factory near St Petersburg.

The joint venture, which still has to be finalised with local and regional authorities, envisages building up to 25,000 vehicles a year in the first phase. Ford said the project had the potential to be expanded.

The vehicles will be built at the plant of Russky Dizel, a big engineering group that makes non-automotive diesel engines for products from lawnmowers to ships.

Ford, which will use part of Russky Dizel's facilities at Vsevolozhk, in the Leningrad region, hopes to conclude detailed negotiations by the middle of this year.

The project is Ford's boldest step in the region since setting up kit assembly plants in Poland and Belarus. Unlike those factories, however, the planned Russian plant will have full press and paint shops.

Ford's move follows activity by other carmakers in Russia in recent months. General Motors is setting up a car plant in north-western Russia, near the Finnish border. The move is expected to be a first step towards building vehicles at the Togliatti plant of AvtoVAZ, Russia's biggest carmaker.

Late last year, Fiat agreed to make up to 150,000 cars a year in a joint venture with GAZ, another large vehicles group, and Renault joined forces with the Moscow city authorities to build cars at the ailing Moskvich plant.

Ford said it had been looking at options in Russia for some time, but declined to indicate which models might be produced.

Most competitors have chosen small saloons, implying Ford will opt for its Escort range. The current Escort will be replaced this year, though it will remain in production until 2000 in the UK. Ford may then transfer Escort production to Russia, retaining the option of building the new version there instead.

The company declined to indicate its potential local partners in the joint venture. The most likely are Russky Dizel and the regional authorities.

● GM's Adam Opel unit is expected to announce tomorrow details of its long-term employment plans in Germany. Local unions fear substantial job cuts to reduce costs but the deal is expected to avoid compulsory job losses while envisaging a big reduction in the workforce over time.

Accountancy deals prompt EC concern

By Emma Tucker in Brussels and Jim Kelly in London

The European Commission is expected to indicate that it has serious competition concerns about the proposed merger of global accountancy firms Price Waterhouse and Coopers & Lybrand this week, when it opens a full anti-trust investigation into the deal.

The announcement, following a preliminary one-month probe of the merger, will give Brussels a further four months to decide whether to block the deal or clear it with conditions.

"Karel Van Miert [the competition commissioner] has a lot of problems with it," said an official.

A second accountancy merger, involving KPMG and Ernst & Young, is also likely to be subjected to a detailed anti-trust investigation, but at a later stage.

"There are differences between the two mergers but not enough to justify opening a second-phase investigation into one, and not into the other," said an official.

Although both cases will be subject to the legally binding deadlines of the Commission's merger regulations, Brussels hopes to coordinate its investigations, making references to the impact of one merger in its assessment of the other.

While the four firms involved are making attempts to differentiate the mergers, privately they accept the Commission will look at them in tandem.

"We expect to go to stage two – and we expect them to look at the competition issues which we acknowledge are there – although there may be some horse-trading later," said an executive at one of the firms.

All four have begun lobbying the Commission. PW and Coopers' are likely to claim their merger is a natural commercial fit, hoping to contrast it with what they see as a knee-jerk response from KPMG and E&Y.

KPMG and E&Y will argue their merger has a genuine European dimension – with a headquarters in Amsterdam and a UK chairman and chief executive. They hope to contrast that with what they see as US domination of the other merger.

All four hope that US regulators at the Department of Justice will signal their backing for the mergers within a month. There are fears that if the mergers go ahead professional self-regulation could be in jeopardy.

At the weekend, the US Public Oversight Board indicated that it had concerns about the mergers.

Jerry Sullivan, executive director, said: "The mergers could challenge self-regulation as we know it today." He said a reduction of the Big Six firms to a Big Four would require alteration of the current system.

Pegasus Gold in bankruptcy filing

By Nikki Tait in Chicago

Pegasus Gold, the North American gold producer, has become the first big victim of the plunge in gold prices, filing for Chapter 11 bankruptcy protection in the Nevada courts.

The company has been in talks with bankers over a restructuring of its $200m debt for several months, but now says "no significant progress was being made in those discussions".

Instead, under Chapter 11 procedures, a court will supervise Pegasus' efforts to reorganise its financial structure – which Werner Nennecker, chief executive, estimated would take a year and "possibly longer". He said Pegasus hoped to persuade lenders to exchange their debt for equity in the restructured group.

Pegasus' main debt facility is a $68m revolving credit agreement with 11 banks. It also has $115m of convertible bonds outstanding, $14m in trade debt and $16m in foreign currency losses.

Mr Nennecker blamed the problems on gold prices. "With gold prices at 18½-year lows, there will not be sufficient cash-flow to service the company's debt."

The bankruptcy filing will not have an immediate effect on Pegasus' operations. The company said its two Montana projects – Montana Tunnels and Diamond Hill – were "viable", even at current gold price levels, although it acknowledged that the situation at the Florida Canyon mine in Nevada was under review.

Pegasus said that it was looking at producing about 250,000 to 300,000 ounces of gold this year.

The company has already suspended operations at its Mount Todd mine in Australia, and called in administrators there last year.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Peter Martin

Consensus of bulls and bears

It is helpful, now and then, to take an inventory of the conventional wisdom. Here is an outline of today's, as captured in the monthly survey of fund manager sentiment around the world, carried out by Gallup for Merrill Lynch*.

Fund managers handling assets that make up a significant proportion of world market capitalisation are asked a series of questions – including whether they expect an improvement in the general economic situation in their own countries.

The chart shows what happens when you aggregate all this information, setting domestic bulls against domestic bears.

The indicator reached a peak in early 1996, when four out of five fund managers expected their own economies to improve. Since then it has fallen – steadily at first and in recent months precipitously, with a speed not seen since the Federal Reserve raised US interest rates in the spring of 1995.

In the latest survey, carried out in early January, fewer than two out of every five fund managers expect their own economies to improve in the near future.

There is a certain amount of national variation in these figures. In the US, only 3 per cent of fund managers are bullish on the domestic economic outlook. In Japan, 60 per cent of respondents expect economic improvement – but only a little. In the rest of Asia, only 14 per cent are expecting a stronger Pacific economy (excluding China and Japan).

The same proportion expect a stronger Chinese economy, a sharp drop from the month before.

In continental Europe, 75 per cent expect an improvement in the economy, down slightly from the month before. But in the UK, only 14 per cent expect the economy to strengthen, a halving of the December figure.

So that is the first element of the consensus: no strong expectation of economic growth, except in continental Europe.

The second element of consensus is more widely shared: that the Asian crisis will set to rest any fears of inflation. Across the world, fund managers are even less worried about inflation, and more optimistic about interest rates, than they were in December.

US fund managers, for example, expect 10 year Treasury bonds to be yielding 5.4 per cent in a year's time (compared with the 5.7 per cent they forecast in December, and the 5.53 recorded at Friday's close). Only 11 per cent of US managers expect inflation to rise, down from 18 per cent in December.

In continental Europe, where 27 per cent were expecting rising inflation in December, the drop has been even more marked – only 12 per cent now expect it. Even in the UK, where fears of inflation are both more prevalent and (given historical performance) well-grounded, the mood is optimistic. In December, 44 per cent of fund managers expected rising inflation; the figure is now 26 per cent.

So that is the consensus: a sluggish global economy, rock-bottom inflation, and falling interest rates. This is not, you might think, a particularly encouraging atmosphere for equity markets.

True, falling interest rates will make stocks better value. But slower economic growth and low inflation will make it hard for companies to regain pricing power.

Nonetheless, equity markets have done surprisingly well since those fund managers were asked for their views. The single most closely-watched indicator, the Dow Jones Industrial Average, is down 9 per cent from a record set in August. But other indices are much more positive. In dollar terms, the FT/S&P Actuaries World Index is only 6 per cent below its 52-week high.

The broad US indices are in even healthier shape: both the S&P 500 and the NYSE Composite are only 2 per cent below their all-time highs, reached last December.

There is, therefore, an inherent contradiction between what fund managers are saying and doing. They say they are worried about economic growth and company profits – 46 per cent of US fund managers told Gallup that the equity market is over-valued, and none said it was under-valued.

Yet the market, which reflects the sum of their individual actions, continues to reflect a high level of confidence in the future: the world price/earnings ratio, as calculated by I/B/E/S, was a healthy 18 in December. Well, there is no law which says the consensus has to be internally consistent.

*Merrill Lynch Gallup Global Survey, Bijal Shah and Trevor Greetham, Merrill Lynch, London +44 (0) 171 772-1516.

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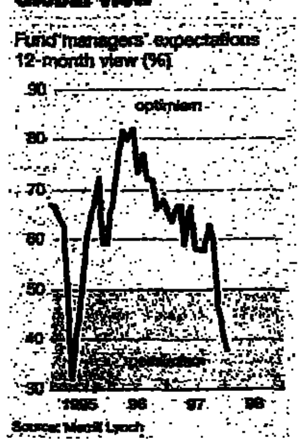
Global view

Fund managers' expectations
12-month view (%)



Source: Merrill Lynch

Total return in local currency to 16/01/98

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.08	0.07	0.12	0.14
Month	0.50	0.07	0.31	0.29	0.52	0.63
12 months	5.94	0.55	3.19	3.39	6.42	6.95
Bonds 3-5 year						
Week	-0.18	0.17	0.38	0.44	0.09	-0.09
Month	1.81	0.25	1.42	1.38	1.27	1.05
12 months	9.70	3.45	5.03	4.44	11.60	9.48
Bonds 7-10 year						
Week	0.26	0.07	0.47	0.50	0.07	0.00
Month	2.48	0.39	2.17	1.82	2.53	1.82
12 months	12.87	8.31	11.77	9.40	22.28	15.53
Equities						
Week	–0.5	–1.2	–4.2	–0.8	–1.7	–1.4
Month	–0.9	–3.4	2.0	3.0	15.1	1.1
12 months	26.3	–13.3	34.9	25.5	57.9	25.6

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Continuing price war will benefit Microsoft

Microsoft is expected to report fourth-quarter earnings per share on Wednesday of 82 cents, up from 57 cents in the previous year with demand in the US and Europe for its Windows NT and Office 97 software offsetting slight weakness in Asian markets.

One analyst said its US profits had benefited from a continuing price war among hardware makers, which boosted personal computer sales and distribution of Windows NT. "Microsoft software generally is included automatically in most PCs made by Intel and Compaq Computer," he said. "When major PC makers cut their prices, Microsoft doesn't have to. It still gets $45 for every piece of software shipped in each new PC." *AFX, New York*

■ **Compaq Computer** is expected on Wednesday to report fourth-quarter earnings per share of 83 cents (66 cents), thanks to healthy overall demand across its product range and cost and inventory improvements.

Analysts said Compaq's acquisition of Tandem last year had expanded its business product range, and estimated third-quarter sales of Compaq's Proliant servers, technica INT workstations and Tandem products grew 36 per cent. *AFX, New York*

■ **Bankinter**, the Spanish bank, is expected to report tomorrow 1997 net profits after minorities of Pta18.2bn-Pta18.9bn ($122.7m) compared with Pta17.14bn.

Earnings growth will be fuelled by lower loan loss provisions, strong commission income and further gains in profit from treasury operations. *AFX, Madrid*

■ **International Business Machines** is expected tomorrow to report fourth-quarter earnings per share of $2.15, compared with $1.97. Analysts said share buy-backs and cost management efforts were likely to outweigh a stronger dollar and flat sales in Japan. The stronger dollar is expected to have cut revenues by about 6 per cent and foreign exchange losses may erode earnings per share by 20-25 cents. *AFX, New York*

■ Analysts expect US oil companies' earning in the fourth quarter to December to be mostly lower than a year ago because of declines in the price of crude and on increased costs.

Oil prices have been declining steadily since the November decision by Opec to raise its production ceiling by 10 per cent.

Exxon, the largest US oil company, is expected to report on Wednesday fourth-quarter earnings of 75 cents against 84 cents.

Amoco is expected to report on Thursday fourth-quarter earnings of $1.28 per share, down 18 per cent from $1.56 a year earlier. Amoco has a higher leverage in chemicals and a limited ability to offset a lower oil price in 1998.

Mobil, reporting on January 28, will also be affected, with a consensus of $1, down 9.3 per cent.

The only company seen bucking the lower earnings trend is **Texaco**, due to report on Thursday with expected fourth-quarter earnings per share up 12 per cent to 79 cents (71 cents).

Chevron, also due on Thursday, is expected to report fourth-quarter earnings of 99 cents, 7.1 per cent lower than last time's $1.06.

Atlantic Richfield is expected to report on January 26 earnings virtually unchanged at $1.15 ($1.16).

Looking to 1998, analysts are divided as to the direction of oil prices, with debates raging over the effects of the Asian crisis and the Opec decision. *AFX, New York*

■ US banks are expected to report solid year-on-year earnings growth in the fourth quarter despite continuing concern over the deteriorating financial environment in Asia, which is expected to pose a growing threat during the year.

Citicorp, scheduled to report tomorrow, is expected to post fourth-quarter earnings of $2.17 on a fully-diluted basis compared with $1.97 a year earlier.

On the same day **Chase Manhattan** is expected to reveal flat fourth-quarter earnings of $1.88 fully-diluted.

BankAmerica is expected on Wednesday to report earnings of $1.12 (99 cents), according to analysts, as it derives only 8 per cent of its earnings from Asia.

JP Morgan is expected to report some time this week fourth-quarter earnings per share of $1.66, down from $1.96. Also this week, **Bank of New York** is expected to report fourth-quarter earnings per share of 72 cents (61 cents). *AFX, New York*

■ US carriers are expected to report healthy increases in fourth-quarter earnings per share thanks to strong demand, high ticket prices, and cheaper oil, which are likely to offset the impact of the Asian financial crisis.

Earnings at **AMR**, the parent company of American Airlines, should on Wednesday reach $2.12 fully-diluted, say analysts, up from $1.33.

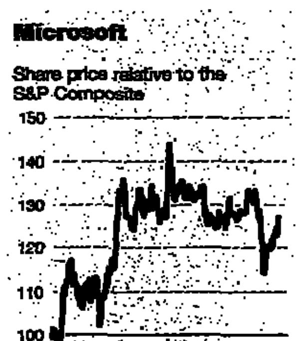
United Airlines is expected to report $1.58 ($1.05) on a fully-diluted basis, when it reports on January 28.

Delta Airlines, which is concentrated in its domestic US business, is forecast to report earnings of $1.82 on Thursday.

US Airways, also concentrated on the US market, is forecast to record earnings of 95 cents on Wednesday. *AFX, New York*

Microsoft

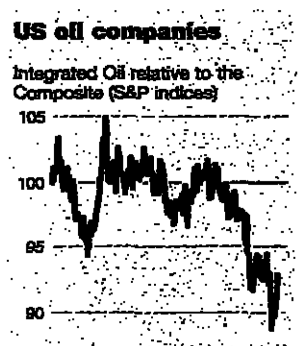
Share price relative to the S&P Composite



Source: Datastream/ICV

US oil companies

Integrated Oil relative to the Composite (S&P indices)



Source: Datastream/ICV

INTERNATIONAL EQUITIES By Vincent Boland

Banks' privatisation fees tumble

Fees earned by investment banks for working on Europe's privatisation deals are tumbling. The forthcoming sale of the final tranche of shares in Argentaria, the Spanish banking group, carries a fee of 1.75 per cent of gross proceeds – which could reach $2.2bn – to be shared among all the banks in the syndicate.

Although the average fee for European privatisation work in 1997 was about 2.5 per cent, according to bankers, the level fell steadily during the year, to just 1.85 per cent with other Spanish privatisations such as Aldeasa and Aceralia.

Rory Tapner, global head of equity capital markets at SBC Warburg Dillon Read, estimates that privatisation work represents up to 50 per cent of the total fee pool in Europe. Last year, European governments raised $73bn from selling state assets.

A market of that size makes for ferocious competition, and Spain has been the toughest market when it comes to fees. As one of Europe's canniest and most frequent sellers of equity in the past three years, the Spanish government has been able to squeeze its own costs to a minimum.

To some extent, the sheer size of some of the privatisation deals has compensated for low fees. But issuers are not the only people responsible for declining fees. Banks who use them as a "strategic weapon" are as much to blame, bankers say. The global houses grumble privately that smaller competitors often compensate for lack of distribution firepower by cutting their margins to the bone to win business and boost revenues.

The minimum fee level for a transaction to be profitable for a banking syndicate is debatable, but many bankers agree that anything below 2 per cent is not sustainable for long without drastic cuts in syndicate size. However, some US bankers argue that European privatisation fees are in line with those of big US corporate transactions, though they are generally lower than European corporate flotations.

Franck Petitgas, head of European equity capital markets at Morgan Stanley, believes fees might not fall much further provided they are not used as strategic weapons, and that both issuers and syndicates stand to gain.

"Governments understand that there is a point beyond which cutting fees is counter-productive to the transaction and its performance in the aftermarket," he says.

Some bankers argue that privatisation work is a diminishing source of revenues and profits for the global houses as corporate work in continental Europe increases ahead of monetary union. They believe consolidation in investment banking should stop the relentless decline in fees and perhaps even reverse the trend.

That is unlikely to happen in Spain, where the government has almost completed its sell-off programme. But for other governments, the question of whether to demand the minimum fee or the maximum distribution of the equity remains. Big mandates will be forthcoming this year in Poland, France, Germany and Portugal, and with markets in a jittery mood, issues may be harder to sell than in last year's bull market.

That means providing greater incentives for banks to put all their resources into a deal, following it through in the aftermarket, and continuing to research the company into the future. And if investment banking profits start declining, boosting margins rather than revenues might be the preferable course for the banks themselves.

LEGAL NOTICES

IN THE MATTER OF
PROVIDENT MUTUAL DEVELOPMENTS LIMITED
PROVIDENT MUTUAL LIFE ASSURANCE LIMITED
PROVIDENT MUTUAL INVESTMENT ADVISORS LIMITED
and
IN THE MATTER OF
THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN pursuant to rules 4.182A and 11.2 of the Insolvency Rules 1986, that the liquidator of the above company intends to make a distribution to the creditors of the company within four months from 12 February 1998. Creditors are required to submit full details of their claims to the liquidator at KPMG, 1 The Embankment, Neville Street, Leeds LS1 4DW on or before 12 February 1998 which is the last day for proving claims. The full details of claims, referred to above, must include the creditor's name and address, the amount of the claim and particulars of how and when the debt was incurred by the company.

Notice is also given that the intended distribution is a final distribution and will be made without regard to any claims not made by the last day for proving claims. All funds remaining in the liquidator's hands following the final distribution to creditors shall be distributed to shareholders absolutely.

Note: the company is able to pay all its known creditors in full.

Date 22 December 1997
GR Adams
Liquidator

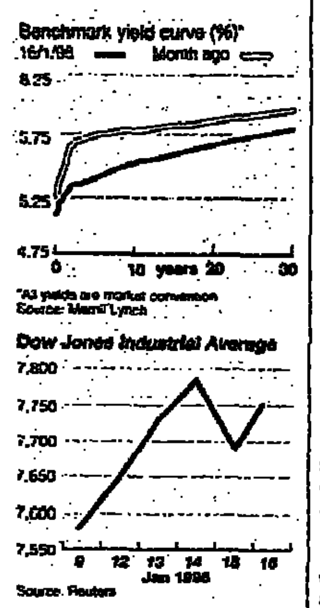
COMPANY NUMBER: 1960533
NAME OF COMPANY:
PROVIDENT MUTUAL DEVELOPMENTS LIMITED
Nature of Business: Property development.
Type of Liquidation: Members.
Address of registered office: 1 The Embankment, Neville Street, Leeds LS1 4DW.
Liquidator(s) name(s) and address(es): Geoffrey Rouen Adams, KPMG, 1 The Embankment, Neville Street, Leeds LS1 4DW.
Office holder number(s): 5291.
Date of appointment: 22 December 1997.
By whom appointed: Members.

COMPANY NUMBER: 8870
NAME OF COMPANY:
PROVIDENT MUTUAL LIFE ASSURANCE LIMITED
Nature of Business: Ordinary long term insurance.
Type of Liquidation: Members.
Address of registered office: 1 The Embankment, Neville Street, Leeds LS1 4DW.
Liquidator(s) name(s) and address(es): Geoffrey Rouen Adams, KPMG, 1 The Embankment, Neville Street, Leeds LS1 4DW.
Office holder number(s): 5291.
Date of appointment: 22 December 1997.
By whom appointed: Members.

COMPANY NUMBER: 2272636
NAME OF COMPANY:
PROVIDENT MUTUAL INVESTMENT ADVISORS LIMITED
Nature of Business: Pension scheme investment advice.
Type of Liquidation: Members.
Address of registered office: 1 The Embankment, Neville Street, Leeds LS1 4DW.
Liquidator(s) name(s) and address(es): Geoffrey Rouen Adams, KPMG, 1 The Embankment, Neville Street, Leeds LS1 4DW.
Office holder number(s): 5291.
Date of appointment: 22 December 1997.
By whom appointed: Members.

MARKETS: This Week

NEW YORK By Richard Tomkins



The week starts on a quiet note in the US today, with equity and bond markets closed for Martin Luther King Day – the first time they have observed the holiday commemorating the birthday of the black civil rights leader. But things could turn hectic tomorrow as events unfold in Asia and the US quarterly earnings season gets fully under way.

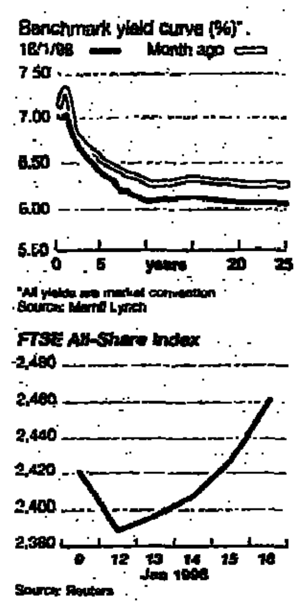
So far, only a few US companies have reported earnings for the quarter to December, and there have been no particularly unpleasant surprises. But investors are watching closely for signs that Asia's economic crisis is having a worse than expected effect on US companies' profits.

This week will give people a clearer idea of the trend in corporate profitability, because many of the biggest companies in the US are due to report their results.

According to the First Call research service, IBM is due to report tomorrow, along with many of the biggest banks; Microsoft, Exxon, Caterpillar and AMR, the parent company of American Airlines, are due to report on Wednesday; Amoco and AT&T are among the companies due to report on Thursday; and results from McDonald's and Chrysler are due on Friday.

Bonds have seen a strong rally recently as investors, shaken by the turmoil in Asia, have dumped stocks and shifted into fixed income securities. But amid indications of stability in the Asian crisis, sentiment shifted back towards equities at the end of last week, sending bond prices lower. This week, with no significant US economic data due, a quiet week in Asia – and another rally in equities – could put bond prices under further pressure.

LONDON By Philip Coggan



The underlying strength of the UK market, thanks to share buy-backs, takeovers and the high cash positions of institutional investors, was illustrated on Friday when the FTSE 100 index jumped 97.3 points to 5,263.1.

The market accordingly starts the week just 67 points off its all-time closing high; and it will not be prevented from reaching the peak by Wall Street, which is closed today for the Martin Luther King holiday.

Barring events in Asia, which remain highly volatile, the main threat to share prices seems likely to come from domestic economic news.

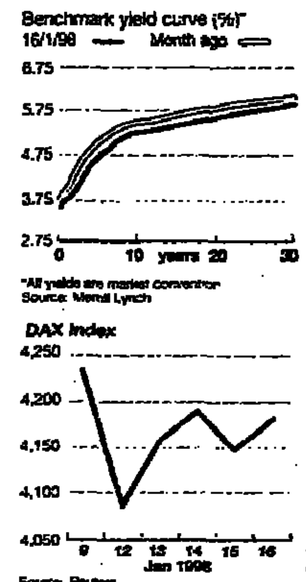
Gilts were badly hurt last week by the average earnings numbers, which appeared to show wage pressures were developing in the economy, and reawakened fears that the monetary policy committee will opt for another interest rate rise next month.

The key data this week will be Wednesday's retail sales numbers – the evidence so far is that business at Christmas was respectable, although the performance of individual store groups was mixed – and the first estimate of fourth-quarter gross domestic product growth on Friday.

The consensus forecast is that the quarterly growth rate will be 0.6 per cent, slowing the annual rate of growth from 3.7 per cent to 3.3 per cent.

On the corporate front, the main interest will be in interim numbers from Somerfield – the subject of some takeover rumours last week – and in final numbers from Lonrho. However, traders will also be hoping that some of the many rumoured deals become reality.

FRANKFURT By Andrew Fisher



German shares are expected to remain fairly resilient to the uncertainty over Asia, with concern about the longer-term impact of the crisis offset by signs that solutions are being implemented. The DAX index gained 1.8 per cent on Friday to close at 4,216.24.

Among those wary of the outlook is J.P. Morgan, the US investment bank. Gary Dugan, its European equity market strategist, expressed caution in a review of European stock markets, noting that the south-east Asian upsets have clouded the background for Germany. "Concerns for future growth in Europe have meant that investors are less willing to buy cyclical stocks at high valuations," he said.

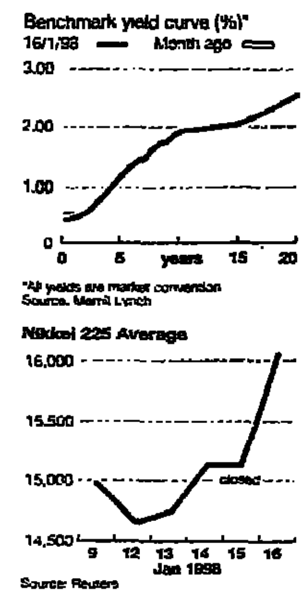
Relatively high price-earnings multiples also make the market more susceptible to downturns. In his view, nervousness is likely to continue, with the autumn general election possibly compounding the risks. Earnings estimates are now being downgraded.

Moreover, "the overall switch of growth in Europe from one based on exports to one based on consumption gain does not favour German equities". J.P. Morgan has lowered its recommended weightings in German and Swedish stocks to underweight, while those for the Netherlands and Spain have been increased.

The market was alerted to some of the implications of the Asian turbulence last week when Deutsche Telekom announced weaker than expected profits and made provisions to cover risks in the region.

However, the shares recovered after an initial slide as analysts concluded Telekom's exposure in Asia was not that high.

TOKYO By Michiyo Nakamoto



Investors in Tokyo will be watching closely this week for any concrete signs that the government is moving towards adopting additional stimulus measures before the end of the current fiscal year in March.

Last week closed with a strong rally in Tokyo that was spurred by comments from a number of government officials suggesting that new measures were in store. What began with a hint from a member of the ruling party's old guard that the Y2,000bn one-off income tax cut could be extended spread as other government members joined the chorus.

Prime minister Ryutaro Hashimoto, finance minister Hiroshi Mitsuzuka and Economic Planning Agency head, Koji Omi, were all heard making comments about responding "flexibly" to Japan's economic situation. Given that the market has been demanding further measures for some time, if such talk continues this week, it could support further gains.

However, if there is a lack of concrete proposals from the government, the market could react badly, having been disappointed by Mr Hashimoto on numerous occasions in the past.

Events in the rest of Asia will also continue to have an impact on Tokyo trading. In addition to the direct market impact on Tokyo of any downturn in regional markets, increasing indications of the adverse impact on corporate Japan of Asian economic turmoil could send jitters through the market again.

The finance ministry's meeting of regional finance bureau heads, on Wednesday and Thursday, will also provide further insight into the state of the economy.

COMMODITIES By Nikki Tait

Future brighter for US cattle market

Good news cannot come quickly enough for US livestock markets. They began 1998 burdened with large supplies and faced flagging demand from packers and retailers. Export prospects did not look too rosy, either, with the Asian financial woes threatening demand at the very point when the industry needed to move large stocks.

Most traders expect US beef production to slacken off in 1998, but clearing existing supplies in the face of weak retail demand and competition from other meat products – such as pork and poultry – is the more immediate concern. As a result, at the turn of the year futures prices dropped to their lowest for about six months.

But last week ended on a slightly cheerier note, with live cattle futures hitting a two-week high on the Chicago Mercantile Exchange. The near-term February contract rose to 66.42 cents a pound, from less than 65 cents a pound at the turn of the year, although well below the 70 cents-plus seen six months ago. Analysts put the improvement down to busier beef trading and a consequent step-up in retail demand on suspicion that prices would not fall further.

This week, the US Department of Agriculture puts out its monthly "cattle on feed" report. In December, the numbers were depressingly large – up 8 per cent over the same month a year earlier, and 12 per cent higher than in December, 1995. Some traders hope that this month's data will point to the more bullish trend.

"It's been keeping some people from selling," said Mike Buchanan, at Prudential Securities' Lubbock office. "We've had a horrible winter. You could see a pretty good draw-down."

Even so, the sorry state of the Asian markets continues to cast a large cloud over the industry. The relative strength of the US dollar, the immediate liquidity problems in the region, and the likely reduction in longer-term growth rates there suggest that demand for both beef and its by-products will take a sizeable hit.

Beef, a "luxury" item, is particularly vulnerable to substitution. Only last week, USDA warned of dimming export prospects and, perhaps, weaker than expected prices.

CURRENCIES By Richard Adams

Lira jitters seen as buying opportunity

The Italian lira will be back in the spotlight this week, after a conflict between members of the European Union over Italy's membership of the European single currency.

Bundesbank council member Klaus-Dieter Kuehbacher last week said there were good reasons to be "slightly critical" of Italy's prospects of joining European Economic and Monetary Union (Emu) in the first wave.

His comments echoed a row in the Dutch parliament over Italy's membership, and an Italian newspaper report that Helmut Kohl, the German chancellor, would not unequivocally endorse the lira's membership when he visits Rome tomorrow.

The comments combined to widen the yield spread between Italian BTPs and German bunds, putting pressure on the lira against the D-Mark.

However, Italy remains supported by France in its bid for first round membership and German and Dutch criticism was muted by the fact that both countries may not themselves meet all of the Maastricht membership criteria. The Dutch government even described Italy's recent economic improvement as "impressive".

The Bank of America's Italian market analysts said setbacks caused by jitters over Italy's membership should be regarded as a buying opportunity.

"Any hint that Italy's membership is in the bag will be a plus," they said.

Italy's fiscal prospects are on the agenda for today's Ecofin meeting in Brussels. Don Smith, international economist at HSBC Markets in London, pointed out that Italy's public sector debt is very sensitive to changes in interest rates, with 31 per cent of outstanding debt at floating rates.

"As a rough rule of thumb, a 0.5 per cent cut in interest rates projections along the yield curve would produce a saving of around 0.75 per cent of GDP," Mr Smith said.

HSBC's projections at lower interest rates show a deficit of 2.4 per cent this year, falling to 2.1 per cent in 1999 and undershooting government forecasts – good news for the lira and BTPs.

OTHER MARKETS Compiled by Jeffrey Brown

HONG KONG

Volatility is going to remain the dominant trading theme this week, writes Louise Lucas. Although last week's roller-coaster ride saw the benchmark Hang Seng index close on Friday with a modest net gain at 8,900.04, brokers still expect the 8,000 mark to be re-tested.

Investors are likely to remain cautious in the face of higher interest rates – which have pushed up the cost of servicing mortgages and delivered a blow to the property sector – and fears that companies may experience debt financing problems this year.

These concerns almost halved the share price of Sino Land on Thursday, and have put the spotlight on smaller companies with high borrowings. Fragile confidence will also play a part: several companies are laying-off staff, and retail investors account for a big proportion of share trading.

China-related shares are also expected to remain under pressure. Brokers say the collapse of Peregrine, the Asian investment bank, which had small stakes in several red-chip companies, has been partly responsible for the fall in share prices among China plays.

PARIS

Analysts and traders are beginning to look forward to the results season and the possibility of market strength when the pride of corporate France takes the wraps off its 1997 profits performance.

This is one reason for the steadiness of equities last week, when the overall trend rode out another bout of torrid trading for the banks as Asian gloom waxed and waned. SGS Thompson provides an early show of the betting, wheeling out what are expected to be strong numbers on Wednesday.

To some extent, though, shares are suffering from investor switching. Core European markets are being shaded in favour of Italy and Spain. Given the recent rally, it is increasingly difficult to find real value among French equities.

On Friday, the CAC 40 index was back within striking distance of 3,000, extending its rally from its October lows to 19 per cent.

ZURICH

The Swiss market has a busy week in prospect, with results expected from Ciba SC tomorrow, Nestlé on Wednesday and Novartis on Thursday.

UBS forecasts a 17 per cent rise in 1997 sales from Ciba and expects this above average growth to continue this year thanks to active product portfolio management and the company's innovative drive.

Credit Suisse First Boston raised its price target for Nestlé on Friday from SFr2,400 to SFr2,500 and reiterated its buy advice.

Novartis was a strong performer on Friday as investors switched into the stock after Roche reported 1997 sales that were in line with expectations but seen as slightly disappointing. Pharmaceuticals turnover in local currencies was up a meagre 4 per cent.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Mannesmann (Germany)	Unit of Philips (N'lands)	Car systems	$683m	Terms agreed
LAHC (UK/US)	Unit of GAN (France)	Insurance	$573m	Life disposal
SocGen (France)	Hambros (UK)	Banking	$495m	Bank sale OKd
Belgacom (Belgium)	Cipe (France)	Security	$377m	Friendly bid
Quebecor (Canada)	Watmoughs (UK)	Printing	$310m	Clock stopped
Empresas La Moderna (Mexico)	Seminis (US)	Agritech	$284m	Stake to 92%
Textron (US)	Ransomes (UK)	Garden tools	$233m	Offer raised
Allianz (Germany)	Life USA (US)	Insurance	$150m	Staggered buy
Tate & Lyle (UK)	Imasa (Argentina)	Food	$52m	Stake via US
Beneficial Corp (US)	Endeavour (UK)	Fin services	$51m	Lloyds sale

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 16, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7775.89	4750.00	2599.75	3682.60
Albania	(Lek)	246.376	150.500	82.3710	116.680
Algeria	(Dinar)	95.7674	58.5000	32.0180	45.3541
Andorra	(French Fr)	10.0179	6.1195	3.3493	4.7444
	(Sp Peseta)	253.473	154.835	84.7436	120.041
Angola	(Readj Kwanza)	420931.3	257128.0	140730.1	199347.2
Antigua	(E Carib $)	4.4201	2.7000	1.4778	2.0933
Argentina	(Peso)	1.6361	0.9994	0.5470	0.7748
Armenia	(Dram)	811.273o	495.570	271.233	384.208
Aruba	(Florin)	2.9303	1.7900	0.9797	1.3878
Australia	(Aus $)	2.4723	1.5102	0.8266	1.1709
Austria	(Schilling)	21.0417	12.8535	7.0349	9.9651
Azerbaijan	(Manat)	6466.35o	3950.00	2161.90	3062.37
Azores	(Port Escudo)	305.834	186.820	102.250	144.839
Bahamas	(Bahama $)	1.6371	1	0.5473	0.7753
Bahrain	(Dinar)	0.6172	0.3770	0.2063	0.2923
Balearic Is	(Sp Peseta)	253.473	154.835	84.7436	120.041
Bangladesh	(Taka)	74.4040	45.4500	24.8755	35.2367
Barbados	(Barb $)	3.2926	2.0113	1.1008	1.5593
Belarus	(Rouble)	69844.7o	42665.0	23351.2	33077.5
Belgium	(Belg Fr)	61.7258	37.7055	20.6368	29.2325
Belize	(B $)	3.2741	2.0000	1.0946	1.5506
Benin	(CFA Fr)	1001.79	611.950	334.930	474.435
Bermuda	(Bermudian $)	1.6371	1	0.5473	0.7753
Bhutan	(Ngultrum)	65.2365	39.8500	21.8105	30.8951
Bolivia	(Boliviano)	8.8237	5.3900	2.9500	4.1788
Botswana	(Pula)	6.2849	3.8390	2.1010	2.9761
Brazil	(Real)	1.8333	1.1199	0.6129	0.8682
Brunei	(Brunei $)	2.8354	1.7320	0.9480	1.3428
Bulgaria	(Lev)	2985.98	1824.00	998.303	1414.12
Burkina Faso	(CFA Fr)	1001.79	611.950	334.930	474.435
Burma	(Kyat)	10.2344	6.2517	3.4217	4.8469
Burundi	(Burundi Fr)	680.184	415.500	227.410	322.131
Cambodia	(Riel)	5569.24	3402.00	1861.97	2637.52
Cameroon	(CFA Fr)	1001.79	611.950	334.930	474.435
Canada	(Canadian $)	2.3514	1.4364	0.7861	1.1136
Canary Is	(Sp Peseta)	253.473	154.835	84.7436	120.041
Cp. Verde	(CV Escudo)	160.308	97.9250	53.5959	75.9197
Cayman Is	(CI $)	1.3558	0.8282	0.4533	0.6421
Cent. Afr. Rep	(CFA Fr)	1001.79	611.950	334.930	474.435
Chad	(CFA Fr)	1001.79	611.950	334.930	474.435
Chile	(Chilean Peso)	747.314	456.500	249.850	353.917
China	(Yuan)	13.5580	8.2789	4.5312	6.4185
Colombia	(Col Peso)	2164.96	1322.48	723.811	1025.29
Comoros	(Fr)	751.590	459.113	251.280	355.943
Congo	(CFA Fr)	1001.79	611.950	334.930	474.435
Congo (Dem Rep)	(Zaire)(2)	225094.3	137500.0	75255.9	106601.5
Costa Rica	(Colon)	401.225	245.090	134.142	190.014
Côte d'Ivoire	(CFA Fr)	1001.79	611.950	334.930	474.435
Croatia	(Kuna)	10.5256	6.4302	3.5193	4.9852
Cuba	(Cuban Peso)(1)	37.6522	23.0000	12.5883	17.8315
Cyprus	(Cyprus £)	0.8794	0.5359	0.2930	0.4150
Czech Rep.	(Koruna)	58.0910	35.4485	19.4015	27.4827
Denmark	(Danish Krone)	11.3922	6.9590	3.8087	5.3952
Djibouti Rep	(Djib Fr)	290.937	177.720	97.2689	137.784
Dominica	(E Carib $)	4.4201	2.7000	1.4778	2.0933
Dominican Rep	(D Peso)	23.7700	14.5200	7.9470	11.2571
Ecuador	(Sucre)	7365.91o	4499.30	2462.65	3488.39
	(Sucre)	7348.72m	4489.00	2456.90	3480.25
Egypt	(Egyptian £)	5.5758	3.4060	1.8642	2.6406
El Salvador	(Colon)	14.3324	8.7550	4.7918	6.7878
Equat'l Guinea	(CFA Fr)	1001.79	611.950	334.930	474.435
Estonia	(Kroon)	23.9185	14.6107	7.9967	11.3274
Ethiopia	(Ethiopian Birr)	10.9863	6.7110	3.6730	5.2029
Falkland Is	(Falk £)	1	0.6109	0.3343	0.4736
Faroe Is	(Danish Krone)	11.3922	6.9590	3.8087	5.3952
Fiji Is	(Fiji $)	2.5440	1.5540	0.8505	1.2048
Finland	(Markka)	9.0390	5.5215	3.0220	4.2807
France	(Fr)	10.0179	6.1195	3.3493	4.7444
Fr. Cty/Africa	(CFA Fr)	1001.79	611.950	334.930	474.435
Fr. Guiana	(Local Fr)	10.0179	6.1195	3.3493	4.7444
Fr. Pacific Is	(CFP Fr)	182.204	111.300	60.9162	86.2891
Gabon	(CFA Fr)	1001.79	611.950	334.930	474.435
Gambia	(Dalasi)	16.5406	10.1039	5.5300	7.8334
Germany	(D-Mark)	2.9911	1.8271	1	1.4165
Ghana	(Cedi)	3707.93	2265.00	1239.67	1756.02
Gibraltar	(Gib £)	1	0.6109	0.3343	0.4736
Greece	(Drachma)	471.430	287.975	157.613	223.262
Greenland	(Danish Krone)	11.3922	6.9590	3.8087	5.3952
Grenada	(E Carib $)	4.4201	2.7000	1.4778	2.0933
Guadeloupe	(French Fr)	10.0179	6.1195	3.3493	4.7444
Guam	(US $)	1.6371	1	0.5473	0.7753
Guatemala	(Quetzal)	10.2512	6.2620	3.4273	4.8548
Guinea	(Fr)	1861.57	1137.15	622.380	881.614
Guinea-Bissau	(CFA Fr)(3)	1001.79	611.950	334.930	474.435
Guyana	(Guyanese $)	234.589	143.300	78.4303	111.098
Haiti	(Gourde)	27.7546	16.9540	9.2792	13.1442
Honduras	(Lempira)	21.6091	13.2000	7.2246	10.2338
Hong Kong	(HK $)	12.6545	7.7382	4.2341	5.9877
Hungary	(Forint)	339.009	207.085	113.341	160.550
Iceland	(Icelandic Krona)	119.619	73.0700	39.9923	56.6500
India	(Indian Rupee)	65.2365	39.8500	21.8105	30.8951
Indonesia	(Rupiah)	14324.3	8750.00	4789.01	6783.73
Iran	(Rial)	4911.15u	3000.00	1641.95	2325.85
Iraq	(Iraqi Dinar)	0.5090o	0.3109	0.1702	0.2410
Iraq	(Iraqi Dinar)	1964.46m	1200.00	656.779	930.341
Irish Rep	(Punt)	1.1842	0.7234	0.3959	0.5608
Israel	(Shekel)	5.9148	3.6131	1.9775	2.8012
Italy	(Lira)	2945.95	1799.55	984.922	1395.16
Jamaica	(Jamaican $)	57.0512	34.8500	19.0738	27.0187
Japan	(Yen)	211.155	128.985	70.5955	100
Jordan	(Jordanian Dinar)	1.1648	0.7115	0.3894	0.5516
Kazakhstan	(Tenge)	125.193	76.4750	41.8560	59.2898
Kenya	(Kenya Shilling)	97.8139	59.7500	32.7021	46.3232
Kiribati	(Australian $)	2.4723	1.5102	0.8266	1.1709
Korea North	(Won)	3.6015	2.2000	1.2041	1.7056
Korea South	(Won)	2650.39	1619.00	886.104	1255.18
Kuwait	(Kuwaiti Dinar)	0.5012	0.3062	0.1676	0.2374
Laos	(New Kip)	2144.54	1310.00	716.983	1015.62
Latvia	(Lats)	0.9741	0.5951	0.3257	0.4613
Lebanon	(Lebanese £)	2502.23	1528.50	836.572	1185.02
Lesotho	(Maluti)	8.1370	4.9705	2.7204	3.8535
Liberia	(Liberian $)	1.6371	1	0.5473	0.7753
Libya	(Libyan Dinar)	0.6278	0.3835	0.2099	0.2973
Liechtenstein	(Swiss Fr)	2.4449	1.4935	0.8174	1.1579
Lithuania	(Litas)	6.5482	4.0000	2.1893	3.1011
Luxembourg	(Lux Fr)	61.7258	37.7055	20.6368	29.2325
Macao	(Pataca)	13.0614	7.9808	4.3795	6.1951
Macedonia	(Denar)	89.8868	54.9078	30.0519	42.5691
Madagascar	(MG Fr)	8185.25	5000.00	2736.58	3876.42
Madeira	(Port Escudo)	305.834	186.820	102.250	144.839
Malawi	(Kwacha)	35.0787	21.4280	11.7279	16.6126
Malaysia	(Ringgit)	6.8597	4.1903	2.2934	3.2486
Maldive Is	(Rufiya)	19.2681	11.7700	6.4419	9.1251
Mali Rep	(CFA Fr)	1001.79	611.950	334.930	474.435
Malta	(Maltese Lira)	0.6507	0.3975	0.2176	0.3082
Martinique	(Local Fr)	10.0179	6.1195	3.3493	4.7444
Mauritania	(Ouguiya)	277.734	169.655	92.8546	131.531
Mauritius	(Maur Rupee)	36.8419	22.5050	12.3173	17.4478
Mexico	(Mexican Peso)	13.4206	8.1980	4.4869	6.3558
Moldova	(Leu)	7.6778	4.6900	2.5669	3.6361
Monaco	(French Fr)	10.0179	6.1195	3.3493	4.7444
Mongolia	(Tugrik)	1284.89	784.750	429.511	608.412
Montserrat	(E Carib $)	4.4201	2.7000	1.4778	2.0933
Morocco	(Dirham)	16.1233	9.8490	5.3905	7.6358
Mozambique	(Metical)	18817.9	11495.0	6291.39	8911.88
Namibia	(S A Rand)	8.1370	4.9705	2.7204	3.8535
Nauru Is	(Australian $)	2.4723	1.5102	0.8266	1.1709
Nepal	(Nepalese Rupee)	99.9419	61.0500	33.4136	47.3311
Netherlands	(Guilder)	3.3703	2.0588	1.1268	1.5961
N'nd Antilles	(A/Guilder)	2.9303	1.7900	0.9797	1.3878
New Zealand	(NZ $)	2.7801	1.6982	0.9295	1.3166
Nicaragua	(Gold Cordoba)	16.4378	10.0410	5.4956	7.7846
Niger Rep	(CFA Fr)	1001.79	611.950	334.930	474.435
Nigeria	(Naira)	35.8285o	21.8850	11.9786	16.9679
	(Naira)	134.482m	76.0400	41.6179	58.9526
Norway	(Nor. Krone)	12.3424	7.5394	4.1264	5.8452
Oman	(Rial Omani)	0.6303	0.3850	0.2107	0.2985
Pakistan	(Pak. Rupee)(4)	72.0400	44.0060	24.0852	34.1171
Panama	(Balboa)	1.6371	1	0.5473	0.7753
Papua New Guinea	(Kina)	2.8745	1.7559	0.9610	1.3613
Paraguay	(Guarani)	3765.21	2300.00	1258.83	1783.15
Peru	(New Sol)	4.4831	2.7385	1.4988	2.1231
Philippines	(Peso)	67.7739	41.4000	22.6589	32.0968
Pitcairn Is	(£ Sterling)	1	0.6109	0.3343	0.4736
	(NZ $)	2.7801	1.6982	0.9295	1.3166
Poland	(Zloty)	5.7993	3.5425	1.9389	2.7464
Portugal	(Escudo)	305.834	186.820	102.250	144.839
Puerto Rico	(US $)	1.6371	1	0.5473	0.7753
Qatar	(Riyal)	5.9608	3.6412	1.9929	2.8229
Reunion Is. de la	(F/Fr)	10.0179	6.1195	3.3493	4.7444
Romania	(Leu)	13824.9	8445.00	4622.08	6547.27
Russia	(Rouble)(5)	9.8674m	6.0275	3.2989	4.6730
Rwanda	(Fr)	570.497	348.491	190.735	270.180
St Christopher	(E Carib $)	4.4201	2.7000	1.4778	2.0933
St Helena	(£)	1	0.6109	0.3343	0.4736
St Lucia	(E Carib $)	4.4201	2.7000	1.4778	2.0933
St Pierre & Miquelon	(F/Fr)	10.0179	6.1195	3.3493	4.7444
St Vincent	(E Carib $)	4.4201	2.7000	1.4778	2.0933
San Marino	(Italian Lira)	2945.95	1799.55	984.922	1395.16
Sao Tome	(Dobra)	3912.55	2390.00	1308.08	1852.93
Saudi Arabia	(Riyal)	6.1403	3.7509	2.0529	2.9080
Senegal	(CFA Fr)	1001.79	611.950	334.930	474.435
Seychelles	(Rupee)	8.5290	5.2100	2.8515	4.0392
Sierra Leone	(Leone)	1473.34	900.000	492.584	697.756
Singapore	($)	2.8354	1.7320	0.9480	1.3428
Slovakia	(Koruna)	57.6733	35.2300	19.2819	27.3133
Slovenia	(Tolar)	282.651	172.659	94.4987	133.859
Solomon Is	($)	7.6899	4.6974	2.5710	3.6418
Somali Rep	(Shilling)	4289.07	2620.00	1433.97	2031.24
South Africa	(Rand)	8.1370	4.9705	2.7204	3.8535
Spain	(Peseta)	253.473	154.835	84.7436	120.041
Spanish Ports in N Africa	(Sp Peseta)	253.473	154.835	84.7436	120.041
Sri Lanka	(Rupee)	101.612	62.0700	33.9719	48.1219
Sudan Rep	(Dinar)	294.040	181.290	99.2765	125.046
Surinam	(Guilder)	656.457	401.000	219.474	310.889
Swaziland	(Lilangeni)	8.1370	4.9705	2.7204	3.8535
Sweden	(Krona)	13.1247	8.0173	4.3880	6.2157
Switzerland	(Fr)	2.4449	1.4935	0.8174	1.1579
Syria	(£)	65.4820	40.0000	21.8926	31.0114
Taiwan	($)	55.3577	33.8155	18.5077	26.2166
Tanzania	(Shilling)	1019.06	622.500	340.704	482.614
Thailand	(Baht)	86.6619	52.9500	28.9804	41.0513
Togo Rep	(CFA Fr)	1001.79	611.950	334.930	474.435
Tonga Is	(Pa'anga)	2.4723	1.5102	0.8266	1.1709
Trinidad/Tobago	($)	10.1825	6.2200	3.4043	4.8223
Tunisia	(Dinar)	1.9096	1.1665	0.6384	0.9044
Turkey	(Lira)	352145.9	215110.0	117733.0	166771.3
Turks & Caicos	(US $)	1.6371	1	0.5473	0.7753
Tuvalu	(Australian $)	2.4723	1.5102	0.8266	1.1709
Uganda	(New Shilling)	1874.42	1145.00	626.678	887.700
Ukraine	(Hryvna)	3.1321	1.9133	1.0472	1.4833
U A E	(Dirham)	6.0127	3.6729	2.0102	2.8475
United Kingdom	(£)	1	0.6109	0.3343	0.4736
United States	(US $)	1.6371	1	0.5473	0.7753
Uruguay	(Peso Uruguayo)	16.4196	10.0300	5.4896	7.7761
Vanuatu	(Vatu)	204.443	124.885	68.3515	96.8213
Vatican	(Lira)	2945.95	1799.55	984.922	1395.16
Venezuela	(Bolivar)	831.139v	507.705	277.875	393.616
Vietnam	(Dong)	20122.6	12292.0	6727.80	9529.79
Virgin Is-British	(US $)	1.6371	1	0.5473	0.7753
Virgin Is-US	(US $)	1.6371	1	0.5473	0.7753
Western Samoa	(Tala)	4.5322	2.7685	1.5152	2.1464
Yemen (Rep of)	(Rial)	202.994r	124.000	67.8671	96.1352
Yugoslavia	(New Dinar)	9.7830	5.9760	3.2708	4.6331
Zambia	(Kwacha)	2426.83	1482.50	811.385	1149.36
Zimbabwe	($)	31.5133	19.2500	10.5358	14.9242
ECU	(ECU)	1.5131	0.9243	0.5059	0.7166
SDR	(SDR)	1.21975	0.746709	0.408380	0.577800

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97 (4) Pakistan Rupee devalued by 8% on 16/10/97 (5) Rouble rebased on 1/1/98: FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department. London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 60p per minute at all times. FT Cityline apologises for the recent suspension in service. We are now pleased to inform users that the service is once again fully operational.
Friday, January 16, 1998

MARKETS: This Week

EMERGING MARKETS By Jonathan Ford

Hope seen for Asia in M&A

Last week's news that the Philippines government may be prepared to countenance a foreign hostile bid for brewer San Miguel, one of the country's corporate jewels, shows how much Asia has changed as a result of its financial crisis.

Until recently, foreign takeovers of national champions like San Miguel were unthinkable. But with corporate demand for capital now outstripping local supply in many countries, the economic nationalism that kept corporate Asia closed to outsiders is being abandoned.

Even South Korea, one of the more xenophobic countries in the region, has partially dismantled restrictions on foreign shareholdings to a point where changes of control are conceivable.

As a result of these changes, the Asian M&A market is expected to expand dramatically this year. Many investment banks that have been slimming down their Asian broking operations have also been building up their M&A capability in the expectation of a flood of deals.

Caspian Securities, the emerging markets investment bank, recently raised $80m, part of which is to be invested in building just such a presence in Asia. "We think there are going to be a lot of companies buying cheap corporate assets in the region," said Richard Greer, managing director.

A recent report by Flemings, the UK investment bank, shows how western companies are already moving in on Asia, attracted by the cheap valuations the crisis has thrown up. The report covers all cross-border mergers and takeovers completed last year with a value of more than $50m.

Overall, cross-border M&A activity in Asia in 1997 more than doubled in value compared with 1996, with 63 deals worth $18bn. Much of this was concentrated in the first half, when almost $12bn of deals were done.

Activity fell off as the region's currency crisis deepened, but this was mainly due to a sharp drop in the number of Asian companies buying each other. Western companies actually completed more deals in the region in the second half than they had in the first.

Indeed, during the last six months of 1997, a period of unparalleled economic confusion in Asia, western companies completed more than $6bn of Asian deals, against $5.7bn in the first half.

"A lot of western multinationals see what is happening in Asia as a once in a lifetime opportunity," says Laurence Heyworth, emerging market strategist at Flemings. "The old obstacles to buying have become less significant at the same time as prices have fallen sharply. In many areas, such as hotels and cement, assets are actually trading at a discount to their replacement cost value."

A big source of deals this year could be the local-western joint ventures built up in the 1980s. With Asian economies in recession, multinationals are expected to take the chance to buy out their partners.

And not only is western takeover activity set to increase. Once the economic situation has stabilised, the need for Asian banks and corporations to restructure is expected to trigger a spate of domestic and regional cross-border deals.

Mr Heyworth argued that corporate activity is an important guide to investors because it indicates those sectors where such activity may support stock-market valuations.

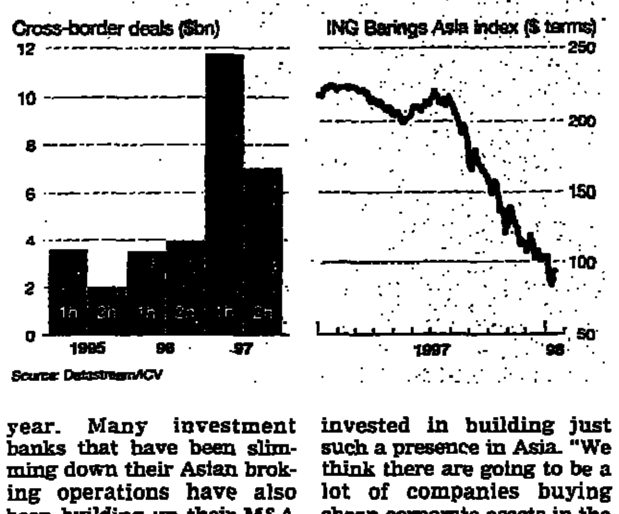
He cited Latin America's openness to foreign corporate investment as one reason why its markets held up well during the Asian turmoil in October. "Portfolio investors seem to believe that corporates are better able to judge the risks of investing in emerging markets than they are," he said.

In Asia, the consumer goods sector experienced most corporate activity last year, with deals worth $3.7bn completed. Other active sectors were utilities, telecoms and energy.

Research by ING Barings shows some correlation between these sectors and those currently enjoying premium valuations in at least one Asian market. Using a price-to-book value measure, Barings produced a list of the 14 most highly valued stocks in the Thai stock market. Of these, half were utilities or energy stocks.

Mr Heyworth believes the rising tide of corporate activity this year could be a buying signal for portfolio investors. "A lot of funds are now massively underweight in Asia, so they might see a wave of corporate deals as some sort of endorsement – a signal to get back into the markets," he said.

Asia: bidders attracted by lower equity values



Source: Datastream/ICV

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: Jan 15th 1998	% Change over week	% Change on Dec '97
Latin America	(270)	591.11	−5.7	−12.8
Argentina	(32)	998.52	−1.1	−10.5
Brazil	(75)	428.41	−5.6	−11.2
Chile	(50)	537.17	−6.6	−16.4
Colombia[1]	(16)	759.04	−3.8	−8.0
Mexico	(61)	679.46	−7.2	−13.8
Peru[2]	(24)	201.63	−2.7	−8.9
Venezuela[3]	(12)	766.02	−8.4	−16.3
Asia	(758)	95.68	+6.7	−11.2
China[4]	(43)	37.94	−12.6	−31.4
South Korea[5]	(184)	34.32	+33.2	+42.9
Philippines	(49)	97.61	+8.9	−13.4
Taiwan, China[6]	(98)	128.16	+1.0	−9.1
India[7]	(72)	75.26	−7.5	−9.7
Indonesia[8]	(61)	19.73	+29.3	−41.4
Malaysia	(157)	73.15	+11.3	−19.7
Pakistan[9]	(24)	214.56	−8.1	−13.6
Sri Lanka[10]	(5)	116.34	−1.7	0.0
Thailand	(65)	42.93	+4.4	−8.7
Euro/Mid East	(396)	134.77	−6.8	−8.7
Czech Rep	(6)	51.11	−2.3	−6.6
Egypt	(28)	90.83	−1.2	−2.6
Greece	(54)	301.71	−6.5	−6.9
Hungary[11]	(13)	289.31	−8.3	−8.1
Israel	(46)	109.80	−6.9	−9.8
Jordan	(6)	206.80	−1.2	−1.6
Morocco	(11)	128.35	−0.2	−1.5
Poland[12]	(29)	544.54	−6.4	−8.7
Portugal	(23)	217.94	−0.5	+3.3
Russia	(30)	117.91	−17.1	−20.7
Slovakia	(5)	91.22	−2.2	−8.0
South Africa[13]	(77)	164.19	−4.5	−8.7
Turkey[14]	(58)	286.33	−9.7	−8.3
Zimbabwe[15]	(10)	261.37	−4.2	+3.8
Composite	(1,424)	218.97	−3.5	−11.0

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993

INTERNATIONAL BONDS By Edward Luce and Samer Iskandar

Investors lukewarm to heavy supply

Judging by the state of the primary market over the past fortnight, 1998 promises to be a lively year for eurobond issuance. With more than $10bn issued each week in the dollar sector alone, volumes are approaching the robust levels witnessed during the market boom this time last year.

Take a closer look, however, and the situation does not seem quite as rosy. Rare names, such as Scottish Power and H.J. Heinz, could normally expect a rapturous welcome from institutional and retail investors. Although neither was by any means a failure, their offerings last week could hardly be described as blow-outs.

Similarly, experienced single-A borrowers such as General Motors Acceptance Corp, which tapped the market for $2bn last week, and Ford Motor Credit, which issued a $1bn bond the previous week, usually expect a little more than the respectable demand they saw.

"There has been a lot of supply and there's a lot more still to come but the level of investor interest doesn't really justify this," said one bond official in London.

Investors have mainly focused on the highest quality borrowers. "Since the New Year, what we have seen is a basic flight to quality," said a syndicate manager at CIBC Wood Gundy in London. "Investors are still wary of credit risk."

Analysts expect investors to continue holding back until there is more certainty in the market and better yields on offer. With the US Treasury long bond yielding well below 6 per cent and the dollar maintaining its strength on the foreign exchange markets, this presents a frustrating dilemma for borrowers.

"What borrowers are saying is: 'Shall we put down a footprint now and risk a lacklustre response or can we hold back until the market is stronger?'" said one syndicate head.

For many, the second option is unattractive. Having been on hold since the Asian crisis hit the global markets in late October, companies and banks are falling behind in their funding requirements. They also know investors have built large cash positions in the past three months that are waiting to be allocated. The question is: What is going to coax the investor back?

"It will probably take two or three months for the crisis in Korea and Indonesia to subside completely," said one official.

"Once that has happened, the focus will switch back to the strength of the US economy and the direction of interest rates. It is hard to see the bond market moving back into equilibrium in either scenario."

On one point, however, analysts are unanimous: the US dollar will continue to take a disproportionately large share of whatever supply hits the primary market.

"Investors need to diversify their portfolios before European monetary union," said one. "The dollar is the most convenient hedge."

The dollar sector also offers borrowers some of the best issuing conditions in recent memory.

"The combination of record low yields on Treasuries and very generous swap spreads offers high-quality names an opportunity to borrow at historically low costs," said a US banker in London.

Swap spreads, which determine the final funding cost to the borrower after switching its obligations from a long-term fixed rate to interest payments linked to money market rates, reached record levels of 55 and 57 basis points for five-year and 10-year maturities respectively in recent weeks. This allowed issuers that are able to launch 10-year bonds at a yield spread of less than 57 basis points over US Treasuries to borrow at a cost well below interbank rates.

Somehow, however, in spite of the conjunction of favourable demand and supply conditions, the market's reception for a number of recent deals has remained disappointing.

"Investors have been flooded with supply and are now holding back," said the banker at CIBC Wood Gundy.

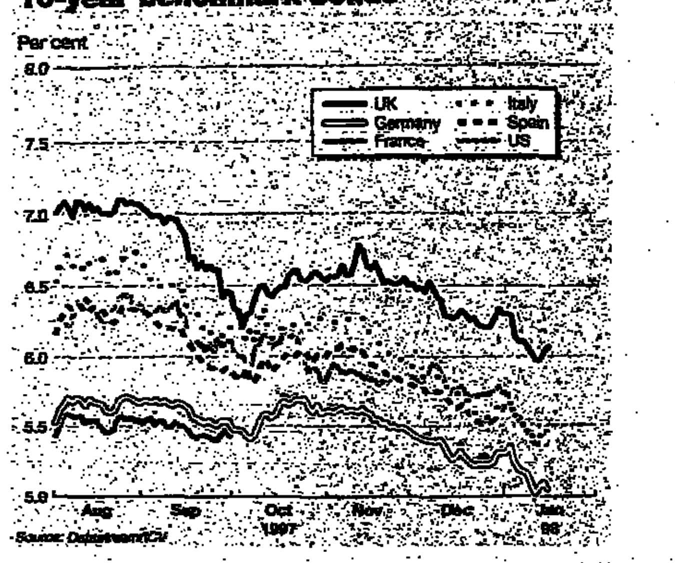
Analysts said recent issues by the World Bank and EIB, which met a lukewarm reception, had failed to take market conditions into account.

"There was nothing wrong with the absolute level of pricing, but there was nothing left on the table either," said one banker. "In these market conditions, issuers have to give some kind of concession to investors."

With swap spreads tightening slightly in recent days, the incentive to issue bonds has waned. Meanwhile, investors' appetite has been fuelled by comments from Alan Greenspan, US Federal Reserve chairman, who recently hinted that the fall in inflationary pressures could lead to deflation in the US economy.

"The 'deflation' comment has really injected some bullishness into this market," one analyst said. "The conditions are just about right for issuance to resume; as long as borrowers do not flood the market again."

10-year benchmark bonds



Source: Datastream/ICV

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.30[1]	5.50	7.25[2]
Overnight	n/a	n/a	3.25	3.34	6.25	n/a
Three month	5.14	0.39	3.51	3.42	6.00	7.45
One year	5.22	0.50	3.71	3.65	5.15	7.12
Five year	5.39	1.17	4.63	4.53	5.05	6.36
Ten year	5.51	1.81	5.08	5.08	5.43	6.07

(1) France-intervention rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Fannie Mae★	4bn	Jan 2003	5.25#	99.662R	5.328	+19(5⅝Dec02)	CSFB/Goldman/Merrill
St George Bank‡	400	Jan 2003	(a)	99.848R	-	-	Barclays Capital/UBS
European Investment Bank	300	Jan 2001	5.375	99.773R	5.459	+15(5¼Nov00)	Daiwa Europe
GMAC-1(k)	1.25bn	Jan 2003	5.875#	99.666R	5.953	+68(5⅝Dec02)	Bear Stearns/M Stanley
GMAC-2(k)	750	Jan 2008	6.125#	99.176R	6.237	+83(6⅛Aug07)	Bear Stearns/M Stanley
Deutsche Bank Lux-A(s)	340	Dec 2007	6.625#	100.00R		-	Deutsche Morgan G'fell
Deutsche Bank Lux-B‡	375	Dec 2007	(m)#	99.27R	-	-	Deutsche Morgan G'fell
HJ Heinz	250	Feb 2003	5.75	99.451R	5.880	+46(5⅝Dec02)	Goldman Sachs Intl
Federal Home Loan Banks	1bn	Jan 2003	5.50#	99.957R	5.510	+18(5⅝Dec02)	Paribas
Commerzbank	500	Feb 2003	5.75	99.825R	5.839	+44(5⅝Dec02)	Commerzbank/SBCWDR
SNCF	500	Jan 2003	5.625	99.664R	5.704	+32(5⅝Dec02)	Nomura Intl/UBS
Scottish Power	300	Jan 2003	5.875	99.701R	5.946	+54(5⅝Dec02)	JP Morgan/UBS
Thermo Instruments(f)§	250	Jan 2005	4.00#	100.00	-	-	Lehman Brothers
Daimler Benz North America	200	Feb 2002	4.625(l)	98.072R	5.751	+40(5¾Nov00)	Société Générale
Islandsbanki‡	75	Feb 2003	(u)	99.88	-	-	Chase Manhattan Intl
D-MARKS							
Chase CCMT, Class A1(c,l)	500	Feb 2005	5.125	99.454R	-	+33(i)	Chase/Morgan Stanley
Helaba Intl Finance	1bn	Feb 2013	5.50	99.42R	5.558	+47(5¼Jan08)	ABN Amro HG/SocGen
CAF	200	Jan 2003	5.375	99.55R	5.480	+84(7⅛Jan03)	DKB/Lehman Brothers
Baden Wuerttemburg L-Fin	1bn	Feb 2010	5.375	99.757R	5.403	+35(5¼Jan08)	Barclays/Dresdner KB
Muenchener Hypo	1bn	Jan 2006	5.00	98.825R	5.183	+20(6⅞Jan06)	DG Bank
STERLING							
Yorkshire Power Finance	200	Aug 2028	7.25(s)	98.735R	7.369	+123(8Jun21)	UBS
FRENCH FRANCS							
Chase CCMT, Class A2(c,l)	1.5bn	Feb 2005	5.125	99.885R	-	+33(i)	Chase/M Stanley DW
ING America Insrnce Hldngs	1.5bn	Feb 2009	5.375	99.878R	5.390	+26(i)	CDC/ING Barings
Crédit Local de France	3bn	Apr 2008	5.25(l)	99.368R	5.328	+25(5¼Apr08)	Paribas/SocGen
RZB	1bn	Jul 2008	5.375(s)	99.444R	5.451	+33(i)	CA/Merrill Lynch
Santander International	2bn	Feb 2008	5.375	99.895R	5.389	+31(i)	JP Morgan
ITALIAN LIRE							
Coca-Cola Enterprises GB	300bn	Feb 2003	5.00	101.38	4.684	-	Deutsche Morgan G'fell
Bayerische Hypo‡	100bn	Feb 2013	(b)	99.75R	-	-	Chase Manhattan Intl
Abbey Natl Trsry Svcs(d)	1000bn	Feb 2038	zero	8.21R	6.449	-	CSFB
KfW International Finance	400bn	Jan 2018	5.50	98.70R	5.610	8a(i)	Credito Ital'o/M Stanley
Suedwest Capital Mkts(e)‡	400bn	Feb 2008	(e1)	99.80R	-	-	BCI/BNL/MPS
European Investment Bk(f)	250bn	Feb 2018	5.50(s)	101.055	5.413	-	IMI Bank Luxembourg
DePfa Bank(g)	200bn	Jul 2001	5.00#	101.225	4.617	-	Credito Italiano
Abbey National Trsry Svcs‡	150bn	Feb 2013	(h)	99.75R	-	-	Credito Italiano
Merrill Lynch & Co‡	150bn	Feb 2010	(j)	99.80R	-	-	Cariplo/Merrill Lynch
European Investment Bank‡	500bn	Feb 2013	(n)	99.50R	-	-	BCI/Cariplo/MPS
Crédit Local de France(o)‡	300bn	Apr 2008	(o1,s)	99.90R	-	-	BNP/Caboto
Ford Credit Canada	300bn	Feb 2003	5.25(p)	101.575	4.887	-	Cariplo/Deutsche MG
Goldman Sachs Group	200bn	Feb 2008	6.00(q)	99.50R	-	-	Cariplo/Credito Italiano
Bancomer	250bn	Jan 2003	7.125	99.625R	7.217	+224(5¾%-02)	Chase Manhattan Intl
Lehman Brothers Holdings‡	150bn	Feb 2000	(v)	100.00R	-	-	Cariplo
Crediop Overseas(x)‡	150bn	Feb 2005	(x1)	99.50R	-	-	Caboto/Cariplo
DePfa Bank(y)‡	150bn	Feb 2013	(y1)	99.00R	-	-	Morgan Stanley DW
SWISS FRANCS							
Halifax	200	Aug 2003	2.25(s)	99.60	2.71	-	Deutsche Morgan G'fell
Landesgirokasse Stuttgart	500	Feb 2005	3.00	102.10	2.667	-	CSFB
GUILDERS							
Chase CCMT, Class A3(c,l)	500	Feb 2005	5.125	99.454R	-	+33(i)	Chase/M Stanley DW
AUSTRALIAN DOLLARS							
Bayerische Landesbank	100	Dec 2001	5.25(s)	100.755	5.436	-	Hambros Bank
LUXEMBOURG FRANCS							
Bayerische Hypo	2bn	May 2006	5.375(f)	102.45	5.00	-	BGL
BIL	2bn	Mar 2008	5.625	102.70	5.271	-	BIL
ECU/EURO							
Abbey National Trsry Svcs	200	Aug 2001	4.50(s)	99.803R	4.57	+10(i)	Barclays Capital
Oesterreichische Kontrollbank	750	Apr 2008	5.25(s)	99.175R	5.36	+12(5¼Apr08)	SBC Warburg DR
Credit Local de France	100	Mar 2004	5.00	102.00	4.611	-	BIL
BNG	750	Apr 2005	5.00(s)	99.311R	5.12	+12(7½Apr05)	SBC Warburg DR
BELGIAN FRANCS							
Crédit Local de France(w)★‡	75bn	Jan 2006	(w1,s)	100.00	-	-	Crédit Communal SA
SWEDISH KRONOR							
Eurofima	500	Feb 2008	5.625	99.002R	5.759	+14(i)	WestLB
Municipal Housing Finance	500	Mar 2003	5.50	101.445	5.165	-	Svenska HB
Swedish Export Kredit	750	Mar 2005	5.625	101.63	5.340	-	Kreditbank
PESETAS							
European Investment Bank	15bn	Feb 2003	4.625	101.01	4.396	-	Merrill Lynch/Santander
ESCUDOS							
Banco Bradesco‡	18.5bn	Feb 2001	(r)	100.00	-	-	BPI
HONG KONG DOLLARS							
World Bank	1bn	Feb 2001	11.00#	100.00	11.30	-	HSBC Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ΦWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor +12½bp. b) 12% in year 1, 8% in yr 2, 7% in yr 3, then 15% -2 x 12-mth Libor. Minimum zero coupon. c) Credit Card Master Trust, 98-1. 3 tranche deal with Euro fungibility option after 1/1/99. d) Includes L250bn increase at 8.11%. Callable in year 10 at 15.33%, yr 20 at 28.65% and yr 30 at 53.52%. e) Includes L100bn increase at 101.35%. e1) 6¾% to Feb 99, then 5⅛%. Euro fungible subject to Italy's participation. f) L750bn launched 8/1/98 increased to L1000bn. g) Callable from Jul 99 at par. h) 12% in yr 1, 8¼% in yrs 2-3, then 15% -2 x 12-mth Libor. Minimum zero. i) Over interpolated yield. j) 13% in yr 1, 7% in yrs 2-3, then 15% -2 x 12-mth Libor. Minimum zero. k) General Motors Acceptance Corp. 2 tranche deal. l) Long 1st coupon. m) 12-mth Libor +80bp. n) 13% in yr 1, 6½% in yrs 2-3, then 15% -2 x 12-mth Libor with 6½% cap and 2½% floor from yr 9. o) Fungible with FFr3bn from 25/4/98. o1) 6¾% in yr 1, then 5¼% when there is a short coupon to 25/4/99. p) Long last coupon. q) Goldman has right to exchange coupon with 6-mth Libor +30bp from 18/2/00 annually. r) 6-mth Lisbor +341bp. s) Short 1st coupon. t) Conversion price: $35.65. Conv. premium: 15%. No call for 3 years. u) 3-mth Libor +15bp. v) 6-mth Libor +90bp x days when 6-mth Libor > 4¼%/total days. Minimum 2%. w) Privately placed. w1) 10.07% - 3-mth Bibor. Min 0.01%. x) Callable from 16/2/00 at par. x1) 6-mth Libor +35bp in yrs 1-2, then 5.4%. y) Guaranteed to yield 4% minimum. y1) 12% to yr 1, 7% in yrs 2-3, then 15% -2 x 12-mth Libor. Minimum zero. Note: Yields are calculated on ISMA basis.

CHEVY CHASE MASTER CREDIT CARD TRUST II

U.S.$138,000,000
Class A Floating Rate Asset Backed Certificates, Series 1995-B

U.S.$12,000,000
Class B Floating Rate Asset Backed Certificates, Series 1995-B

Class	Interest Accrual Rate	Coupon Amount (USD)
A	5.8437509%	U.S.$739,234.38
B	5.9637509%	U.S.$61,601.25
Libor Determination Date:	13/01/98	
Accrual Period:	15/01/98 to	16/02/98
Days in Accrual Period:	33	

These Interest Accrual Rates and Coupon Amounts should be used when determining the interest payable on Tuesday, February 17, 1998.

Bankers Trust Company
as Trustee

January 19, 1998

CONTRACTS & TENDERS

PETRÓLEO BRASILEIRO S.A.
PETROBRAS

Engineering Service
COERJES
INVITATION TO BID

INTERNATIONAL COMPETITIVE BIDDING No 857-8-666-97

Object: Services of detailing design, supply of materials and equipment ((3-three) turbo-compressors), civil construction, electromechanical assembling, commissioning, tests, pre-operation and assisted operation with technical assistance of the increase of the compressors station of Cabiúnas (Macae - RJ), cooling tower and interconnections for the industrial Construction Works in the States of Rio de Janeiro, Espirito Santo and Minas Gerais - COERJES. Place for consultation and/or purchasing of the Bid documents: Road Washington Luiz, Km 113,7 - Duque de Caxias, RJ, SEGEN/ENSUD/COERJES - room 28, from January 9th, 1998. Bid Documents fee: R$ 600,00. Proposals delivery: March 2nd, 1998, 10:00 A.M. at the address above, mentioned. For additional information contact telephone 55 21 773-2323.

BIDDING COMMITTEE

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.0417	+0.0507	319 - 515	21.0581	20.9378	20.9238	3.8	20.795	3.7	20.2772	3.4	102.3
Belgium	(BFr)	61.7258	+0.1863	851 - 665	61.7710	61.4350	61.3282	4.1	60.9362	3.9	59.3773	3.5	101.6
Denmark	(DKr)	11.3922	+0.0295	868 - 977	11.4015	11.3368	11.3277	3.7	11.2627	3.5	11.0035	3.2	104.1
Finland	(FM)	9.0390	+0.0058	324 - 456	9.0520	9.0110	9.0018	4.2	8.9453	3.9	8.7193	3.5	80.5
France	(FFr)	10.0179	+0.0237	135 - 223	10.0266	9.9706	9.9612	4.0	9.8993	3.8	9.645	3.5	105.0
Germany	(DM)	2.9911	+0.0073	897 - 924	2.9946	2.9760	2.9739	4.0	2.9552	3.8	2.8792	3.5	102.7
Greece	(Dr)	471.430	+0.796	079 - 780	471.914	469.296	474.905	-10.9	483.282	-10.8	508.633	-8.1	65.2
Ireland	(I£)	1.1842	+0.0009	830 - 854	1.1890	1.1744	1.1821	1.2	1.1785	1.6	1.1521	2.6	93.5
Italy	(L)	2945.35	+14.88	441 - 750	2948.24	2930.34	2928.19	1.2	2920.76	1.4	2866.74	2.2	75.3
Luxembourg	(LFr)	61.7258	+0.1863	851 - 665	61.7810	61.4350	61.3282	4.1	60.9302	3.9	59.3773	3.5	101.8
Netherlands	(Fl)	3.3703	+0.0088	689 - 716	3.3731	3.3542	3.3498	4.2	3.3283	4.0	3.2424	3.5	101.0
Norway	(NKr)	12.3424	+0.0524	349 - 499	12.3502	12.2780	12.2502	3.8	12.1767	3.7	11.9105	3.1	97.0
Portugal	(Es)	305.834	+0.833	568 - 000	306.004	304.339	304.352	2.8	302.922	2.7	296.143	2.9	91.3
Spain	(Pta)	253.473	+0.68	362 - 583	253.590	252.280	252.237	2.8	251.056	2.7	245.366	2.8	76.4
Sweden	(SKr)	13.1247	+0.0524	170 - 324	13.1327	13.0580	13.041	2.9	12.9829	2.7	12.76	2.4	84.7
Switzerland	(SFr)	2.4449	+0.015	434 - 464	2.4467	2.4327	2.4171	6.3	2.3836	6.0	2.2853	5.5	106.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.1
Ecu	-	1.5131	+0.0039	122 - 140	1.5141	1.5067	1.5051	3.2	1.4974	3.1	1.464	3.0	-
SDR†	-	1.219749	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6361	+0.0068	356 - 365	1.6367	1.6273	-	-	-	-	-	-	-
Brazil	(R$)	1.8333	+0.0067	327 - 338	1.8340	1.8182	-	-	-	-	-	-	-
Canada	(C$)	2.3514	+0.0106	503 - 524	2.3550	2.3335	2.3348	3.1	2.3243	2.8	2.2938	2.4	82.3
Mexico	(New Peso)	13.4206	-0.086	087 - 324	13.5309	13.3253	13.6303	-12.6	13.9112	-12.5	15.0711	-11.7	-
USA	($)	1.6371	+0.0076	366 - 375	1.6378	1.6276	1.6269	1.9	1.622	1.8	1.6003	1.8	109.6
Pacific/Middle East/Africa													
Australia	(A$)	2.4723	-0.0425	703 - 743	2.4989	2.4577	2.5097	2.4	2.4985	2.4	2.4574	2.3	86.5
Hong Kong	(HK$)	12.6845	+0.0533	599 - 680	12.6710	12.5960	12.6925	-7.7	12.8246	-6.8	13.4414	-6.6	-
India	(Rs)	65.2365	-0.3896	549 - 181	65.8540	65.0490	-	-	-	-	-	-	-
Israel	(Shk)	5.9148	+0.0566	073 - 223	5.9250	5.8800	-	-	-	-	-	-	-
Japan	(Y)	211.155	-1.472	040 - 270	212.140	208.830	211.367	7.1	208.957	6.9	198.472	6.7	120.8
Malaysia	(M$)	6.8597	-0.1629	500 - 693	7.1265	6.7364	7.0125	1.7	7.0177	0.3	7.1846	-2.3	-
New Zealand	(NZ$)	2.7801	-0.0432	781 - 820	2.8191	2.7651	2.8263	-1.3	2.8311	-1.1	2.8432	-0.7	103.6
Philippines	(Peso)	67.7739	-0.0113	734 - 744	68.1964	67.6411	68.4502	-11.8	69.9712	-12.9	76.4544	-12.8	-
Saudi Arabia	(SR)	6.1403	+0.0281	382 - 424	6.1431	6.1058	6.1056	1.3	6.0913	1.4	6.0322	1.3	-
Singapore	(S$)	2.8354	-0.0349	330 - 378	2.8849	2.7635	2.8918	-9.0	2.9082	-5.3	2.9629	-3.2	-
South Africa	(R)	8.1370	+0.028	323 - 417	8.1481	8.0388	8.1659	-8.4	8.2633	-7.8	8.6374	-6.5	-
South Korea	(Won)	2650.39	+36.75	147 - 930	2678.88	2581.81	-	-	-	-	-	-	-
Taiwan	(T$)	55.3577	-0.0102	040 - 114	55.4672	55.1034	55.2996	1.5	55.1645	1.5	54.5557	1.5	-
Thailand	(Bt)	86.6819	+0.1173	488 - 150	87.3170	75.8510	87.4061	-11.7	88.8405	-10.5	96.8556	-11.9	-

† Rates for Jan 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.8535	-0.0288	510 - 559	12.9015	12.8560	12.8315	2.1	12.792	1.9	12.6435	1.6	102.6
Belgium	(BFr)	37.7055	-0.0615	910 - 200	37.8300	37.6440	37.624	2.3	37.51	2.1	37.0205	1.9	101.7
Denmark	(DKr)	6.9590	-0.0143	575 - 604	6.9852	6.9470	6.9494	1.8	6.9296	1.7	6.8525	1.4	103.4
Finland	(FM)	5.5215	-0.0222	190 - 240	5.5539	5.5120	5.5111	2.2	5.4926	2.1	5.426	1.7	79.9
France	(FFr)	6.1195	-0.014	185 - 205	6.1430	6.1117	6.1087	2.1	6.0931	2.0	6.0102	1.8	104.6
Germany	(DM)	1.8271	-0.0041	268 - 274	1.8347	1.8242	1.8238	2.2	1.8179	2.0	1.7943	1.8	102.4
Greece	(Dr)	287.975	-0.855	840 - 110	289.360	287.450	290.825	-11.9	296.675	-12.1	315.975	-9.7	65.0
Ireland	(I£)	1.3824	+0.0054	814 - 834	1.3880	1.3705	1.3817	0.7	1.3817	0.2	1.3959	-1.0	-
Italy	(L)	1798.55	+0.74	310 - 000	1804.30	1794.00	1800.6	-0.7	1801.86	-0.5	1792.3	0.3	75.2
Luxembourg	(LFr)	37.7055	-0.0615	910 - 200	37.8300	37.6440	37.624	2.3	37.51	2.1	37.0205	1.8	101.7
Netherlands	(Fl)	2.0588	-0.0042	585 - 590	2.0674	2.0552	2.0549	2.3	2.0476	2.1	2.0211	1.8	100.9
Norway	(NKr)	7.5394	-0.003	369 - 419	7.5680	7.5135	7.5267	2.0	7.5054	1.8	7.4352	1.3	96.5
Portugal	(Es)	186.820	-0.36	770 - 870	187.260	186.540	186.713	0.7	186.412	0.9	184.62	1.2	91.9
Spain	(Pta)	154.835	-0.305	810 - 860	155.390	154.630	154.74	0.7	154.495	0.9	153	1.2	76.1
Sweden	(SKr)	8.0173	-0.0052	148 - 198	8.0459	8.0044	8.0135	1.0	7.9997	0.9	7.9068	1.6	84.7
Switzerland	(SFr)	1.4935	+0.0022	930 - 940	1.4996	1.4908	1.4881	4.4	1.4782	4.1	1.4266	[illegible]	106.7
UK	(£)	1.6371	+0.0076	366 - 375	1.6378	1.6276	1.6345	1.9	1.6296	1.8	1.6031	1.5	104.6
Ecu	-	1.0820	+0.0023	816 - 823	1.0838	1.0765	1.0832	-1.4	1.0856	-1.3	1.0964	-1.3	-
SDR†	-	0.74671	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	-0.0005	994 - 994	0.9996	0.9993	-	-	-	-	-	-	-
Brazil	(R$)	1.1199	-0.0011	198 - 199	1.1200	1.1162	-	-	-	-	-	-	-
Canada	(C$)	1.4384	-0.0002	361 - 366	1.4382	1.4327	1.4349	1.2	1.4328	1.0	1.4223	0.7	80.5
Mexico	(New Peso)	8.1980	-0.08	930 - 030	8.2040	8.1910	8.303	-15.4	8.485	-14.0	9.342	-14.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	110.9
Pacific/Middle East/Africa													
Australia	(A$)	1.5102	-0.0331	094 - 110	1.5120	1.4925	1.5034	0.6	1.5066	0.9	1.4961	0.9	86.1
Hong Kong	(HK$)	7.7362	-0.0033	355 - 368	7.7410	7.7345	7.7012	-5.5	7.8237	-7.6	8.3461	-7.9	-
India	(Rs)	39.8500	-0.425	500 - 500	40.3700	39.7400	-	-	-	-	-	-	-
Israel	(Shk)	3.6131	+0.0170	095 - 167	3.6174	3.5915	-	-	-	-	-	-	-
Japan	(Y)	128.985	-1.505	950 - 030	130.200	128.030	128.42	5.3	127.335	5.1	120.55	[illegible]	122.8
Malaysia	(M$)	4.1903	-0.1195	855 - 950	4.3800	4.1000	4.1913	-0.3	4.2028	-1.2	4.3703	-4.3	-
New Zealand	(NZ$)	1.6982	-0.0345	975 - 989	1.6992	1.6813	1.7013	-2.2	1.7057	-2.0	1.7255	-1.6	-
Philippines	(Peso)	41.4000	-0.2	500 - 500	41.9000	41.3000	41.558	-13.5	42.526	-12.6	47.5065	-14.9	-
Saudi Arabia	(SR)	3.7503	-0.0002	506 - 511	3.7508	3.7525	3.7524	-0.6	3.755	-0.4	3.7669	-0.4	-
Singapore	(S$)	1.7320	-0.0295	310 - 330	1.7700	1.6935	1.740	-7.6	1.754	-5.1	1.812	-4.9	-
South Africa	(R)	4.9705	-0.006	090 - 720	4.9895	4.9650	5.012	-10.0	5.0573	-9.4	5.3954	-8.8	-
South Korea	(Won)	1619.00	+15	400 - 400	1645.00	1610.00	-	-	-	-	-	-	-
Taiwan	(T$)	33.8155	-0.164	920 - 390	33.9270	33.7900	33.8755	-0.4	33.948	-0.4	33.926	-0.3	-
Thailand	(Bt)	52.8500	-0.175	000 - 000	53.5000	48.5000	53.345	-9.0	53.965	-7.7	56.40	-6.8	-

† SDR rate per $ for Jan 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 15. Base average 1990=100
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

January 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.50
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.33
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
week ago	[illegible]	[illegible]	6	[illegible]	5	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	6.23
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	6.23
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	4	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.37	5.39	5.41	5.45	-	-	-
week ago	-	5.37	5.42	5.47	5.50	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	4 - [illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible] - 3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	3 - 6	10 - 8	10 - 8	10 - 8	10 - 8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.44	94.42	-0.02	94.45	94.41	89,425	482,250
Jun	94.54	94.48	-0.05	94.55	94.47	78,296	400,022
Sep	94.55	94.49	-0.06	94.57	94.47	84,733	264,500

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.22	95.21	-0.04	95.22	95.19	349	7,766
Jun	95.26	95.23	-0.07	95.27	95.23	12	1,891
Sep	-	95.27	-0.06	-	95.27	10	39

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.23	4.846	1.919	4773	5.460	20.00	495.5	410.6	21.26	3.961	1.620	3.810	2.652	342.1	2.451
Denmark	(DKr)	54.18	10	8.794	2.626	1.039	2586	2.958	10.83	268.5	222.5	11.52	2.146	0.878	2.064	1.437	185.3	1.328
France	(FFr)	61.62	11.37	10	2.986	1.182	2941	3.364	12.32	305.3	253.0	13.10	2.441	0.998	2.347	1.634	210.8	1.510
Germany	(DM)	20.64	3.809	3.349	1	0.396	984.9	1.127	4.126	102.2	84.74	4.388	0.817	0.334	0.786	0.547	70.60	0.506
Ireland	(I£)	52.12	9.620	8.460	2.526	1	2488	2.846	10.42	258.3	214.0	11.08	2.065	0.844	1.986	1.382	178.3	1.278
Italy	(L)	2.095	0.387	0.340	0.102	0.040	100	0.114	0.419	10.38	8.604	0.446	0.083	0.034	0.080	0.056	7.168	0.051
Netherlands	(Fl)	18.31	3.380	2.972	0.887	0.351	874.1	1	3.662	90.74	75.21	3.894	0.725	0.297	0.698	0.486	62.65	0.449
Norway	(NKr)	50.01	9.230	8.117	2.423	0.959	2387	2.731	10	247.8	205.4	10.63	1.981	0.810	1.905	1.326	171.1	1.226
Portugal	(Es)	20.18	3.725	3.276	0.978	0.387	963.3	1.102	4.036	100	82.88	4.291	0.799	0.327	0.769	0.535	69.04	0.495
Spain	(Pta)	24.35	4.494	3.952	1.180	0.467	1162	1.330	4.869	120.7	100	5.178	0.965	0.395	0.928	0.646	83.30	0.597
Sweden	(SKr)	47.03	8.680	7.633	2.279	0.902	2245	2.568	9.404	233.0	193.1	10	1.863	0.762	1.792	1.247	160.9	1.153
Switzerland	(SFr)	25.25	4.660	4.097	1.223	0.484	1205	1.379	5.048	125.1	103.7	5.368	1	0.409	0.962	0.670	86.36	0.619
UK	(£)	61.73	11.39	10.02	2.991	1.184	2946	3.370	12.34	305.8	253.5	13.13	2.445	1	2.352	1.637	211.2	1.513
Canada	(C$)	26.25	4.845	4.260	1.272	0.504	1253	1.433	5.249	130.1	107.8	5.582	1.040	0.425	1	0.696	89.80	0.643
USA	($)	37.71	6.959	6.120	1.827	0.723	1800	2.059	7.539	186.8	154.8	8.017	1.494	0.611	1.436	1	129.0	0.924
Japan	(Y)	29.23	5.395	4.744	1.417	0.561	1395	1.596	5.845	144.8	120.0	6.216	1.158	0.474	1.114	0.775	100	0.717
Ecu	-	40.80	7.530	6.621	1.977	0.783	1947	2.228	8.158	202.1	167.5	8.675	1.616	0.661	1.554	1.082	139.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5475	0.5475	-	0.5501	0.5465	25,137	113,488
Jun	0.5504	0.5501	-	0.5525	0.5503	72	3,367
Sep	-	0.5524	-	-	-	31	1,633

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6715	0.6720	+0.0008	0.6753	0.6711	20,919	62,714
Jun	0.6790	0.6787	+0.0008	0.6815	0.6785	140	1,016
Sep	-	0.6852	+0.0008	0.6880	-	5	1,107

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7767	0.7806	+0.0031	0.7872	0.7741	30,185	90,836
Jun	0.7950	0.7905	+0.0031	0.7963	0.7904	53	2,267
Sep	0.8062	0.8005	+0.0032	0.8062	0.8020	156	340

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6248	1.6296	+0.0050	1.6336	1.6228	5,504	33,998
Jun	1.6150	1.6218	+0.0050	1.6250	1.6150	13	1,401
Sep	-	1.6144	+0.0050	1.6180	-	2	5

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.630	0.50	1.75	2.34	0.05	1.51	2.32
1.640	0.03	1.28	1.89	0.58	2.06	2.83
1.650	-	0.92	1.46	1.48	2.64	3.44

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.540	0.53	0.94	1.24	-	0.31	0.54
0.545	0.11	0.64	0.95	0.05	0.50	0.73
0.550	-	0.41	0.70	0.42	0.77	0.99

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

UK INTEREST RATES

LONDON MONEY RATES

Jan 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 6	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	[illegible]

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jan 9: 6.8748pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 31, 1997. Agreed rate for period Jan 26, 1998 to Feb 24, 1998. Scheme III 6.56pc. Reference rate for period Nov 29, 1997 to Dec 31, 1997. Schemes IV & V 7.709pc. Finance House Base Rate 8pc from Jan 1, 1998

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 16	Jan 9		Jan 16	Jan 9
Bills on offer	£100m	£100m	Top accepted rate	6.8788%	6.8989%
Total of applications	£719m	£540m	Ave. rate of discount	6.8748%	6.9939%
Total allocated	£100m	£100m	Average yield	6.9346%	7.0144%
Min. accepted bid	£98.285	£98.280	Offer at next tender	£100m	£100m
Allotment at min. level	90%	75%	Min. accept. bid 28 days	-	-

■ Pound in New York

Jan 16	- Close -	- Prev. close -
£ spot	1.6335	1.6305
1 mth	1.6310	1.6280
3 mth	1.6260	1.6230
1 yr	1.6045	1.6007

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	1997/98 High	1997/98 Low	Since comp. High	Since comp. Low
FTSE 100	5263.1	5165.8	5106.9	5083.9	5068.8	5264.4	5068.8	5330.8	986.9
FTSE 250	4812.6	4816.3	4823.3	4816.5	4799.6	4880.8	4799.6	4863.8	1379.4
FTSE 250 ex IT	4851.0	4858.7	4865.8	4861.4	4846.4	4820.7	4808.3	4985.8	1378.3
FTSE 350	2521.9	2484.3	2461.9	2452.3	2444.7	2526.9	2444.7	3548.4	664.5
FTSE SmallCap	2355.01	2349.96	2350.15	2340.11	2329.23	2366.01	2320.18	2486.20	1363.79
FTSE SmallCap ex IT	2362.54	2359.33	2357.42	2348.53	2340.98	2382.54	2318.19	2492.72	1363.79
FTSE All-Share	2461.58	2426.80	2406.42	2398.94	2389.32	2464.74	2389.32	2492.41	61.92
FTSE Fledgling	1281.04	1276.69	1277.00	1272.09	1266.25	1281.04	1255.77	1348.52	31.14
FTSE Eurotrack 100	2699.85	2688.41	2693.74	2679.33	2662.62	2791.45	2662.62	2794.80	900.45
FTSE Eurotrack 200	2750.94	2716.84	2713.12	2698.21	2671.83	2798.30	2671.83	2798.30	938.62
FT 30	3327.0	3301.1	3269.9	3262.9	3283.9	[illegible]	3262.9	3430.7	49.4
FT Govt Securities	103.28	103.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	49.18
FT Fixed Interest	138.51	138.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	50.53
FTSE Gold Mines	1036.08	989.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	903.02

BANK RETURN

BANKING DEPARTMENT	Wednesday January 14, 1998	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,114,497,629	-163,112,560
Bankers deposits	2,738,813,135	+9,654,695
Reserve and other accounts	4,575,419,141	-160,793,393
	8,443,282,905	-314,251,258
Assets		
Government securities	1,369,000,743	-2,355,000
Advance and other accounts	6,617,341,055	-312,367,564
Premise, equipment and other secs	453,320,712	+89,620
Notes	3,481,738	+365,134
Coin	138,657	+16,552
	8,443,282,905	-314,251,258
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	22,156,518,262	-800,365,134
Notes in Banking Department	3,481,738	+365,134
	22,160,000,000	-800,000,000
Assets		
Other Government securities	13,683,943,066	+747,942,791
Other Securities	8,476,056,934	-1,547,942,791
	22,160,000,000	-800,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997/98 High	1997/98 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	95	93½	Abbey Nat Dublin II	[illegible]					
§140	F.P.	34.6	201½	148½	†BOO Techs	[illegible]					
§65	F.P.	9.74	80	68	†Bond Int Sftw	[illegible]					
§25	F.P.	1.42	35½	29½	†General Ints	[illegible]					
135	F.P.	5.20	144½	139½	†Longmead	[illegible]					
§110	F.P.	126.4	124½	105½	Manchester	[illegible]					
§102	F.P.	23.2	102½	102½	†Racetrack Vhcls	[illegible]					
§	F.P.	171.2	107½	96½	Second Scot Natl	[illegible]					
§	F.P.	101.9	101½	99½	Do Zero Div Pf	[illegible]					
*	F.P.	3.31	113½	103½	Wyndham Mr	[illegible]					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997/98 High	1997/98 Low	Stock	Closing price p	+or-
9	Nil	28/1	3pm	3pm	Cabure	1pm	

pm premium.

FTSE GOLD MINES INDEX

	Jan 16	% chg since 31/12/97	Mid Cap Shs	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1036.08	-2.1	28.78	100.00	2.63	-	1907.49	891.23
■ Regional Indices								
Africa (15)	1080.52	-2.2	6.59	22.91	6.37	18.48	2333.58	921.78
Australasia (7)	1196.29	+3.4	3.39	11.80	2.86	15.83	2124.22	933.63
North America (12)	1010.67	-3.0	18.79	65.30	1.27	37.59	1780.86	864.86

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. xd Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis. ◆ Indicative price.

(a) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1997: 156.9 and for December 1997: 160.0.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mid cap£m	Last xd	City line
Allied Domecq	♣†‡	547xd	4.8	Q24.44	1.6	5,694	24.11	1590
Bulmer (HP)	★†	372	-1.7	14.82	2.2	196.7	12.1	2005
Burn St Dist	★	35½	-7.8	3.4	0.3	21.1	27.10	1618
Diageo	♣‡	565	-1.7	Q18.0	1.8	22,726	29.9	2791
Glenmorangie A	†	650xd	-2.9	13.42	3.1	115.8	22.12	3257
B	†	935xd	...	8.71	3.1	37.4	22.12	3258
Highland	★	265	-2.2	8.9	2.4	381.6	1.12	2880
5¾pc Cnv Bds		90¼xd	0.4	Q5¾%	-	44.2	5.1	2823
Kirin Y		492½	10.1	Q9%	-	5,163	25.6	1119
Matthew Clark	★‡	166xd	-4.9	20.0	1.5	145.9	29.12	2153
Merrydown	★	99½	7.2	3.1	-	6.49	21.1	3352
Seagram C$		£20½	3.1	Q66c	-	7,424	27.11	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS & TEXT

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Anglo Am Ind R		£23¾	–	Q555c	♦	1,781	26.8	–
Barlow	♦	£4??	-6.1	Q124c	♦	986.9	8.12	–
Gold Flds Prop R		111	-1.6	Q85c	1.5	11.3	1.9	–
SA Brews	†	£13??	-7.9	Q295c	–	4,043	1.12	4113
Standard Bank		£26??	2.8	Q434c	–	3,179	25.9	–
Tiger Oats		800	-2.4	Q154c	♦	1,208	8.12	–
Tongaat-Hulett		765½	-.9	Q142c	♦	733.6	8.12	–

TRADED INDEX SECURITIES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
FTSE 100 TRAINS		£5280xd		–	–	–	24.11	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading Sysytem ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 21(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. e Assumed dividend. f Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Market Link Publsg, Nottingham Forest, Optoplast** (AIM). **Belgo** (Brws). **Boustead** (Cnsl). **Foresight Tech VCT & Wrts** (InvT). **SCS Upholstery** (RtlG). **Autologic** (Trans). **Deletions: Glengarry Res** (ExtInd). **Kendell, Speciality Shops** (Prop), **M & W** (RtlF), **Wakebourne** (SpSv).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code **FT2264.** Ring *0181 770 0770 (open 24 hours including* weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations. 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements. Company Focus (FT news) £8.45. Focus Plus (FT and Investors Chronicle news) £10.95.

To order, call 0121 200 4678.

Reports published by ShareFinder.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed *after the share price. Calls are charged at 50p per minute* at all times. An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial information obtained via FT Cityline before making any investment decision. All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy *will be sent free on request.* **Call 0171 873 4378 for more information on FT Cityline.**

The share prices printed on these pages are also available on the internet at http://www.FT.com.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Aberdeen Fund Mngrs (Luxembourg) Ltd (u)

[illegible]

American Phoenix Investment Portfolios (u)

[illegible]

Fleming Group - Contd.

[illegible]

Foreign & Colonial Emerging Markets Ltd (u)

[illegible]

Morgan Stanley Sicav

[illegible]

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

[illegible]

Credit Suisse Asset Mgmt Funds - Contd.

[illegible]

Merrill Lynch Asset Management - Contd.

[illegible]

Swiss Bank Corporation - Contd.

[illegible]

OFFSHORE INSURANCES

[illegible]

Equity Fund Managers

[illegible]

Eurolife Assurance Group

[illegible]

Flemco International Ltd

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 16 / Sch)

BELGIUM/LUXEMBOURG (Jan 16 / Frs.)

CZECH REP (Jan 16 / Koruna)

DENMARK (Jan 16 / Kr)

FINLAND (Jan 16 / Mkk)

FRANCE (Jan 16 / Frs.)

GERMANY (Jan 16 / Dm.)

GREECE (Jan 16 / Drachma)

ITALY (Jan 16 / Lira)

NETHERLANDS (Jan 16 / Fls.)

NORWAY (Jan 16 / Kroner)

POLAND (Jan 16 / Zloty)

PORTUGAL (Jan 16 / Escudo)

SPAIN (Jan 16 / Pts.)

SWEDEN (Jan 16 / Kronor)

SWITZERLAND (Jan 16 / Frs.)

TURKEY (Jan 16 / Tk Lira)

PACIFIC

JAPAN (Jan 16 / Yen)

HONG KONG (Jan 16 / H.K.$)

INDONESIA (Jan 16 / Rupiah)

MALAYSIA (Jan 16 / MYR)

NEW ZEALAND (Jan 16 / NZ $)

SINGAPORE (Jan 16 / S$)

AUSTRALIA (Jan 16 / Aust$)

SOUTH KOREA (Jan 16 / Won)

TAIWAN (Jan 16 / TW $)

THAILAND (Jan 16 / Baht)

AFRICA

SOUTH AFRICA (Jan 16 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 16 / Can $)

MONTREAL (Jan 16 / Can $)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 16 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY JANUARY 15 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	202.88	1.3	183.57	165.25	192.53	203.59	-0.3	3.73	195.82	178.17	161.52	188.43	201.01	243.87	190.26	218.28
Austria (23)	184.09	-2.6	166.73	150.10	174.87	174.73	-1.1	1.90	183.67	167.11	151.50	174.85	174.71	213.59	175.14	187.71
Belgium (26)	256.36	0.7	232.19	209.02	243.51	238.38	2.5	2.89	252.57	229.80	208.33	240.45	235.23	263.33	227.73	231.72
Brazil (30)	216.37	-9.2	195.97	176.41	205.53	446.03	-8.9	1.85	209.12	190.27	172.49	199.08	431.50	322.44	184.94	205.75
Canada (121)	203.40	-4.2	184.22	165.83	193.20	211.56	-3.9	1.87	200.70	182.61	165.54	191.07	208.78	233.66	178.27	200.67
Denmark (32)	459.67	2.7	416.32	374.78	436.63	435.07	4.4	1.16	456.16	415.05	376.26	434.28	432.64	464.94	348.27	365.15
Finland (26)	286.01	2.7	259.04	233.19	271.67	331.42	4.1	1.90	285.07	259.37	235.14	271.39	331.66	349.43	243.25	259.63
France (81)	233.01	-2.6	211.04	189.98	221.33	223.67	-1.0	2.41	229.17	208.51	189.03	218.17	220.49	246.23	209.81	215.68
Germany (58)	223.03	-2.8	202.00	181.85	211.86	211.86	-1.2	1.40	220.69	200.80	182.03	210.10	210.10	243.87	184.23	191.01
Hong Kong, China (66)	287.99	-19.3	260.84	234.81	273.56	288.04	-19.5	5.58	279.09	253.94	230.21	265.70	277.32	580.03	262.93	514.49
Indonesia (27)	43.25	-34.5	39.17	35.26	41.08	232.17	4.2	2.90	38.59	35.11	31.83	36.74	211.86	254.90	29.44	238.46
Ireland (16)	416.68	3.8	377.39	339.73	395.80	424.72	7.0	2.33	416.67	379.11	343.69	396.68	426.36	416.68	316.20	331.97
Italy (53)	126.01	7.1	114.13	102.74	119.69	169.35	9.0	1.45	124.15	112.96	102.40	118.19	168.78	126.01	83.01	94.67
Japan (481)	98.24	3.1	88.97	80.09	93.31	80.09	2.3	0.99	92.78	84.42	76.53	88.33	76.53	141.12	86.52	121.44
Malaysia (107)	138.29	-15.9	125.25	112.75	131.35	223.17	-9.4	3.25	130.94	119.14	108.00	124.66	217.34	660.85	113.56	611.87
Mexico (26)	1603.31	-11.1	1452.13	1307.22	1522.96	14370.88	-9.8	1.69	1559.06	1418.52	1285.88	1484.25	14110.63	1901.98	1319.05	1353.68
Netherlands (19)	406.28	-0.9	367.97	331.25	385.92	381.76	0.7	2.20	400.47	364.37	330.32	381.25	377.07	440.67	326.45	334.79
New Zealand (14)	74.02	-3.1	67.04	60.35	70.31	66.75	-4.5	4.83	72.79	66.23	60.04	69.30	66.97	96.47	71.49	95.40
Norway (36)	294.05	-7.9	266.33	239.75	279.32	300.91	-5.8	2.01	292.33	265.98	241.13	278.31	299.27	374.84	281.62	314.93
Philippines (22)	69.38	-12.5	62.84	56.57	65.91	143.15	-8.2	1.26	70.21	63.88	57.91	66.84	145.55	214.07	57.54	207.72
Singapore (42)	173.34	-23.0	156.99	141.33	164.65	138.35	-20.9	2.32	167.44	152.35	138.12	159.41	135.92	448.01	144.01	424.74
South Africa (43)	242.89	-8.5	219.99	198.03	230.72	263.87	-6.5	3.20	239.42	217.84	197.48	227.93	260.42	370.12	227.66	325.43
Spain (33)	284.78	4.8	257.93	232.19	270.51	334.05	6.4	2.08	279.00	253.85	230.13	265.61	327.91	284.78	206.12	226.80
Sweden (49)	462.03	-1.6	418.46	376.70	438.87	548.36	-0.6	1.89	456.80	415.62	376.79	434.88	542.51	538.94	405.00	432.49
Switzerland (31)	332.17	-2.5	300.85	270.83	315.53	307.56	-0.2	1.09	326.57	297.13	269.37	310.90	301.33	343.44	231.69	237.30
Thailand (39)	18.21	-5.7	16.49	14.84	17.29	37.41	3.7	7.71	17.00	15.47	14.02	16.18	35.05	103.44	13.10	98.53
United Kingdom (212)	336.99	1.8	305.18	274.71	320.04	305.18	2.1	3.23	330.05	300.30	272.24	314.21	300.30	337.99	271.72	282.49
USA (639)	392.11	-1.1	355.13	319.70	372.46	392.11	-1.1	1.59	387.98	353.01	320.02	369.36	387.98	401.22	299.79	313.46
Americas (818)	355.09	-1.4	321.61	289.52	337.30	298.82	-1.4	1.61	351.18	319.53	289.67	334.33	296.54	365.75	274.59	287.35
Europe (698)	289.41	0.1	262.12	235.97	274.91	277.83	1.4	2.32	284.70	259.04	234.83	271.04	273.98	298.25	236.09	242.22
Nordic (147)	408.71	-0.9	370.17	333.23	388.23	423.38	0.4	1.78	405.04	368.53	334.10	385.61	420.16	464.93	355.77	375.85
Pacific Basin (871)	105.57	-0.3	95.61	86.07	100.28	87.42	-0.8	1.68	100.18	91.15	82.63	95.37	83.95	158.99	95.32	142.38
Euro-Pacific (1570)	182.25	0.0	165.06	148.59	173.11	159.06	0.7	2.10	177.13	161.16	146.10	168.63	155.47	209.12	172.03	183.95
North America (760)	379.97	-1.2	344.14	309.80	360.92	378.89	-1.2	1.61	375.92	342.03	310.08	357.88	375.84	389.57	292.34	306.78
Europe Ex. UK (487)	257.80	-0.7	233.49	210.19	244.88	256.06	1.0	1.79	254.23	231.31	209.70	242.03	252.83	267.07	210.93	215.56
Pacific Ex. Japan (390)	177.28	-11.5	160.57	144.54	168.40	179.91	-11.0	4.34	171.26	155.83	141.27	163.05	176.09	320.65	161.31	317.87
World Ex. US (1790)	185.24	-0.8	167.77	151.03	175.96	164.97	0.1	2.10	180.19	163.95	148.63	171.54	161.33	212.69	175.30	187.07
World Ex. UK (2217)	243.87	-1.1	220.87	198.83	231.65	223.09	-0.8	1.67	239.36	217.79	197.44	227.88	219.48	262.69	211.16	221.89
World Ex. Japan (1948)	328.68	-1.4	297.67	267.97	312.19	324.68	-0.9	1.96	324.18	294.96	267.40	308.62	320.67	344.35	271.90	281.38
The World Index (2429)	251.74	-0.8	228.00	205.25	239.12	230.47	-0.5	1.84	247.03	224.77	203.76	235.18	226.75	269.47	216.61	227.05

 CONSTITUENT CHANGES DURING THE WEEK ENDING 16/1/98: Deletions: Accor Asia Pacific Corp. Ltd. (AAPC) (Australia), Barnett Banks (USA), Cetelem (France), Cie Bancaire (France) and Dominion Textiles (Canada).

Emerging markets: IFC investable indices

Jan 15

Latin America, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela, East Asia, China, Korea, Philippines, Taiwan, China, South Asia, India, Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, Europe/Mideast, Czech Rep, Egypt, Greece, Hungary, Israel, Jordan, Morocco, Poland, Portugal, Russia, S Africa, Slovakia, Turkey, Zimbabwe, Regions, Composite, Latin America, Asia, EMEA

Latest indices were unavailable for this edition.

4 pm close January 16

NEW YORK STOCK EXCHANGE PRICES

1997/98 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
42	24¼	AAR	0.48	1.1	33	624	u42	42	42	+
58	33¼	AMP	1.04	2.8	28	22715	38	37	37	
133¾	78¾	AMR			10	4088	u134	131	132	+2
37	19	ASA	1.20	5.7	13	852	21	20	21	+
70½	49¾	ABBEL x	1.08	1.5	28	16672	u70	69	70	+
20½	11½	AbbtM	0.40	3.3	6	2176	12	11	12	+
31½	17	ABM Ind x	0.48	1.7	23	98	29	28	29	
29	17¾	Acceptance			11	107	24	23	23	
101	58¼	ACE Ltd x	0.96	1.0	12	430	97	95	96	+1½
11	10	ACM Gvt In x	0.90	7.8	12	455	u11½	11	11½	
8	7	ACM GvOpp x	0.63	7.6		192	8	8	8	
10	8¾	ACM Mgn x	0.90	8.6		199	u10	10	10½	
10	4	Acme Elect				37	4	4	4	+¼
20	8½	Acme Mills				77	9	8	9	
24	14	ACNielsen			29	1762	21	20	21	+
29	15	Acuson			41	927	17	17	17	
25	19	Adams Expr	0.55	2.3	1	276	23	23	23	+
48	17¼	AdvMic				10257	18	17	17	
27½	10	Advest Grp x	0.12	0.5	17	330	23	23	23½	+
23	11	Advo Inc			18	773	20	19	19	
95	61¼	Aegon	1.31	1.4	26	113	95	94	95	+1
12	3	Aerfa				811	8	8	8	+
57½	33	Aero-V	0.80	1.8	13	1325	46	45	45½	
49	24	AES Corp				2300	42	41	41	
118	66	Aetna	0.80	1.1	25	3607	72	71	71	
32	18½	AffCom			24	842	27	26	26	
57	37½	Aflac	0.46	1.0	10	828	48	47	48	
35	19¾	AGCO	0.04	0.1	11	3203	29	28	29	+1
21	17¾	AGL Res	1.08	5.3	14	1349	20	20	20	
68	32	Ahmson	0.88	1.5	15	6880	59	57	57	
89	66	AirPrC x	1.20	1.5	20	2021	78	78	78	+1
[illegible]										
82	54	Wrigley x	0.76	1.0	34	1305	77	76	77	+1
24	12	Wynns Int	0.21	1.0	17	223	21	21	21	+
		- X - Y - Z -								
87	51½	Xerox	1.28	1.8	18	6732	71½	70	71	+
60¼	40½	Xtra Corp	0.80	1.4	21	245	58	58	58½	+
27	20¾	Yankee Egy	1.34	5.3	15	86	25	25	25	+
58	35	York Intl	0.48	1.3	13	2413	37	37	37	
8¼	4	Zapata	0.28	4.2	55	94	6	6	6	
13	5	ZenithE				4665	7	6	7	
28	24½	Zenith Nat	1.00	4.0	14	29	25	24	25	+
8	7	Zenix Inc	0.78	9.2		182	8¼	8	8	
32	17¾	Zeus	0.12	0.4	18	1342	27½	25	27	+1
14	10½	ZweigFd	1.24	9.5		208	13	13	13	
9½	8	Zweig Tot	0.84	8.9		997	9½	9	9	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	7753.55	7691.77	7784.69	8259.31 (6/8/97)	6391.69 (11/4/97)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.27	105.48	105.16	105.48 (15/1/98)	101.09 (14/4/97)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3289.56	3228.95	3229.41	3369.27 (15/10/97)	2222.07 (2/1/97)	3369.27 (15/10/97)	13.23 (8/7/32)
Utilities	254.59	254.47	266.25	272.01 (30/12/97)	209.47 (25/4/97)	272.01 (30/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 7846.47 (7803.87) Low 7687.04 (7651.86) (Theoretical); Day's high 7803.12 (7783.94) Low 7696.01 (7686.54) (Actual)

Standard and Poors	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	961.51	950.73	957.94	983.79 (5/12/97)	737.01 (2/1/97)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials¶	1118.42	1105.20	1114.30	1148.82 (7/10/97)	865.42 (11/4/97)	1148.82 (12/12/97)	3.52 (30/6/32)
Financial¶	114.81	113.29	114.11	120.83 (8/12/97)	80.76 (2/1/97)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp	503.57	497.95	501.35	514.31 (5/12/97)	398.47 (11/4/97)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	663.59	655.54	658.64	721.90 (7/10/97)	541.20 (28/4/97)	721.90 (7/10/97)	524.28 (16/7/96)
NASDAQ Comp	1582.88	1547.06	1548.76	1745.85 (9/10/97)	1201.00 (2/4/97)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	426.25	421.75	421.93	465.21 (13/10/97)	335.85 (25/4/97)	465.21 (13/10/97)	123.36 (7/12/93)

RATIOS

	Jan 9	Jan 2	Dec 26	Year ago
Dow Jones Ind. Div. Yield	1.81	1.72	1.79	1.98
	Jan 14	Jan 7	Dec 31	Year ago
S & P Ind. Div. yield	1.50	1.49	1.49	1.85
S & P Ind. P/E ratio	25.88	25.98	26.04	23.00

US DATA

MARKET ACTIVITY

Volume (million)	Jan 16	Jan 15	Jan 14
NYSE	645.886	524.734	607.880
Amex	28.869	21.135	22.582
NASDAQ	688.215	608.241	700.378

NYSE	Jan 16	Jan 15	Jan 14
Issues Traded	1,453	3,424	3,425
Rises	2,131	1,316	1,867
Falls	819	1,588	1,061
Unchanged	503	522	497
New Highs	171	115	135
New Lows	30	52	39

NYSE TRADING ACTIVITY — Volume : 645,886,560

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Boeing	8,782,200	43⅝	-⅞
Micron Tech	7,278,900	28⅝	-2⅞
Ph Morris	5,526,800	45½	+¼
Compaq	5,248,300	59¼	+1
Gen Elect	4,420,300	73½	+⅞
AT & T	4,238,000	66½	+½
Stat Casino	3,654,800	15⅛	+4⅛
Chrysler Cp	3,518,500	35	+1⅛
Tel Brasilei	3,384,700	105½	+4⅞
IBM	3,397,200	105	+1½

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Stat Casino	15⅛	+4⅛	+36.8
Harrahs Ent	21⅛	+2⅛	+11.8
Blount B	25⅜	+2⅜	+8
Boston Scien	46⅝	+3⅞	+8.9
Downs			
Amer Residntl	10¼	-3⅞	-26.5
Micron Tech	28¼	-2⅞	-8.9
Briggs Strat	44⅜	-2⅞	-5.7
Cotrl Newsp	65½	-3⅜	-4.9

NASDAQ TRADING ACTIVITY — Volume :688,215,142

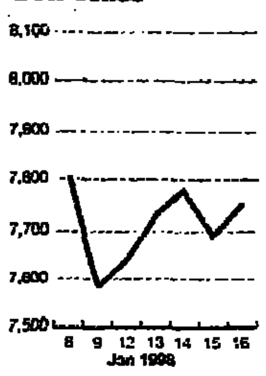
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Sun Microsys	18,898,000	45⅛	+2⅛
Corp Express	14,812,900	9⅝	-1⅝
Intel Corp	14,568,800	74⅞	-½
Nordstrom	12,008,000	44⅛	-4⅝
Oracle Corp	11,803,800	19⅛	+⅛
Applied Matrl	10,435,800	29⅜	-⅛
Ascend Com	10,110,700	30⅛	+1½
Worldcom	9,778,500	31⅛	+½
Microsoft	8,899,600	135¼	+2⅞
Microchip Tch	8,335,600	21½	-5⅜

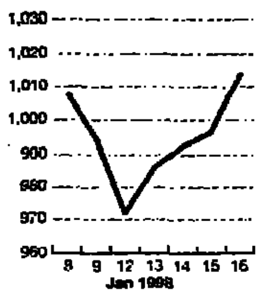
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Milestone Sc	22⅝	+3¾	+20
Crescent Oper	22½	+3⅛	+17.3
Oneida	25⅛	+3¼	+14.4
Arrow Intl	37¼	+4¼	+12.8
Downs			
Homecm Com	7⅞	-5⅞	-43.1
Intelliquest	9¼	-4	-30.2
Microchip Tch	21½	-5⅜	-21.2
Stoneo Bk Cf	45⅝	-6⅝	-11.8

Dow Jones



FTSE Eurotop 300



JAPAN

	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Nikkei 225	16346.45	closed	15121.88	20681.1	14664.4	38915.9	85.25

Day's high 16362.54 Day's low 15193.11

TOKYO TRADING ACTIVITY — Volume : 692,000,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Nppn Steel	24,755,000	185	+15
Sakura Bk	18,051,000	408	+55
Sumitomo Mc	12,686,000	180	+26
NKK	10,737,000	101	+4
Fuji Bk	10,359,000	654	+70
Yamaichi Scs	9,990,000	1	
Toshiba	9,946,000	585	+61
IBJ	9,037,000	891	+37
Mitsui T&Bk	8,251,000	297	+48
Hitachi	8,120,000	1000	+53

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Mitsubi Stl	166	+40	+31.9
Nihon Kasz	330	+75	+29.4
Mitsubi Paper	219	+48	+28.6
Tky Tatemono	215	+42	+24.3
Tekken Corp	199	+38	+23.6
Honen Corp	190	+35	+22.6
Kasan Zoos	147	+26	+21.5
Downs			
Komatsu Zen	200	-16	-7.4

FRANCE

	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
CAC 40	2976.09	2932.75	2919.80	3094.01	2256.97	3094.01	984.61

Day's high 2976.85 Day's low 2952.69

PARIS TRADING ACTIVITY — Volume : 375,769,690

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Usinor	1,622,292	81.9	+5
Fr Telecom	1,610,082	242.7	+3.3
Rho–Poul	1,049,009	293.9	-2.2
B.N.P	802,638	293.3	+6.8
Axa–UAP	730,400	468	-5
Total B	687,852	610	+7
Elf Acqtne	651,377	632	
Michelin	547,295	301	+3.9
Suez Lyonn	537,485	892	+12
Alcatel Al	509,854	776	+17

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Argomani-Prx	1872	+592	+46.3
Ferm Therm	1390	+320	+29.9
Gabo Inds	888	+188	+26.5
Girodet	26.5	+5.5	+26.2
Downs			
Hldg Inn	350	-180	-34
Fichet–Bch	41	-8.95	-17.9
UFB–Locabail	475	-87	-15.5
Immeubles	497	-51	-9.3

GERMANY

	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
DAX	4184.46	4143.34	4190.03	4438.93	2642.77	4438.93	931.18

Day's high 4190.71. Day's low 4172.98

FRANKFURT TRADING ACTIVITY — Volume : 13,482,478

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Deut.Telkm	2,226,159	31.2	
Bayer	676,985	64.15	+0.1
Commzbank	661,522	65.9	+0.45
Siemens	566,593	104.5	
Deut.Bank	456,660	114.55	+2.2
Lufthansa	409,226	34.05	-0.25
BASF	398,580	51.95	
Dresdnr Bank	307,802	77.9	-0.1
RWE	306,027	62	
Dmlr-Benz	162,766	124.4	+2.8

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Ser Systeme	193	+34	+22.1
Marseille Kin	27.5	+4	+17
Akzo Faser	294	+26	+9.7
Sixt	140	+7	+5.3
Adidas	253.3	+11.8	+4.7
Downs			
Alcatel Sel	265.1	-14.9	-5.3
Hornbach Pf	115	-4	-3.4
Schneider Rd	275	-8	-3

UK

	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
FTSE 100	5263.1	5165.8	5106.9	5330.8	4056.6	5330.8	986.9

Day's high 5277.2 Day's low 5165.4

LONDON TRADING ACTIVITY — Volume : 978,000,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BT	29,560,300	547	+21
Asda	29,062,060	195	+8
BTR	27,534,900	160	-5½
Tamaris	18,550,770	2½	+¼
MFI Fmtre	18,267,910	122½	
GEC	18,251,240	380	-11
Man United	16,732,170	158	+1½
Brit. Steel	15,103,570	129	-½
Belgo Grp	13,298,080	7	
Vodafone	13,219,010	483	+34

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
GSE Intl	17¼	+4¾	+38
Bolton Intl	4	+½	+14.3
Emerald Engy	8	+1	+14.3
Nrd Anglia	319	+39	+13.9
Downs			
Ashley (L.)	20	-6	-23.1
Albion	62½	-12½	-16.7
Dragon Oil	58½	-11½	-16.4
Botts & Stern	2¾	-½	-15.4

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	955.00	967.30	+12.20	972.50	952.50	97,575	379,610
Jun	974.50	976.20	+12.50	982.70	972.50	92	10,311
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Mar	15400.0	15400.0	+910.0	16130.0	15380.0	36,471	174,081
Jun	15500.0	15080.0	+900.0	15980.0	15500.0	13	31,450

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol	Open int
Jan	2963.0	2985.0	+51.0	2986.0	2957.0	13,048	41,518
Feb	2970.0	2993.0	+51.0	2989.5	2968.0	1,207	3,652
DAX							
Mar	4199.0	4248.0	+80.0	4260.0	4195.5	20,605	67,796
Jun	4228.0	4275.5	+67.5	4262.5	4228.0	865	10,710

OMX	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Jan	2380.00	2391.00	+35.0	2394.00	2362.00	6,190	21,804
Feb	2396.50	2402.00	+37.0	2404.75	2373.25	1,504	8,130
SOFFEX							
Jan	6190.0	6183.9	+36.0	6192.4	6177.3	2,449	7,362
Mar	6247.0	6293.0	+121.3	6275.8	6147.0	15	550

WORLD MARKETS AT A GLANCE

Country	Index	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Yield	P/E
Argentina	General	21201.56	20793.27	20898.31	25771.70 22/10/97	18237.40 2/1/97	3.11	17.9

Stocks ended slightly higher on buying by institutional investors but the mood was still cautious.

Country	Index	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Yield	P/E
Australia	All Ordinaries	2614.0	2584.5	2605.3	2779.20 25/9/97	2259.20 28/10/97	3.45	18.1
	All Mining	570.2	559.6	570.8	987.10 24/2/97	541.10 27/11/97		

Took inspiration from Nikkei surge to climb off early lows. Gold stocks strengthened, with Normandy up almost 6 per cent.

Country	Index	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Yield	P/E
Hungary	Bux	7639.04	7537.97	7631.40	8493.80 6/8/97	4291.30 6/1/97	na	na

Shares rose 1.3 per cent on the strong dollar, but dealers said low volumes continued to cause excessive volatility.

Country	Index	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Yield	P/E
India	BSE Sens.	3382.32	3365.75	3400.79	4548.02 5/8/97	3225.24 31/97		
	Crisil 500	629.93	626.26	631.05	843.28 5/8/97	615.29 12/12/97	na	na

Shares closed higher in thin trade, helped by selective buying by foreign and domestic funds.

Country	Index	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Yield	P/E
Poland	WIG	13637.6	13457.2	13693.9	18339.40 18/2/97	13228.80 12/1/98	0.95	13.3

Brewing group Okocim gained almost 10 per cent after Heineken announced plans to increase its stake in rival Zywiec.

Country	Index	Jan 16	Jan 15	Jan 14	1997/98 High	1997/98 Low	Yield	P/E
Portugal	BVL 30	4031.97	3993.66	3984.02	4031.97 16/1/98	2185.57 2/1/97	1.11	37.9
	PSI 20	9394.48	9334.56	9285.39	9394.48 16/1/98	5152.34 2/1/97		

Shares rose across the board after the central bank cut interest rates. Banks were higher on bid speculation.

[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 16

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close January 16

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

MONDAY 19

Pinning down the Emu

European finance ministers meet in Brussels, with Gordon Brown, the UK chancellor, as chairman, to discuss issues raised by monetary union, notably the Italian budget – a topic of particular sensitivity since Italy's bid to join the single currency has provoked more controversy than most. *However, ministers will be careful not* to anticipate the decision scheduled for May on which countries are eligible for Emu. Other matters to be discussed are the priorities of the UK presidency of the European Union, the timetable for monetary union, denominations and technical specifications of euro coins, and measurement of financial intermediation services within countries' national accounts.

Health matters

The nomination of a new director-general to succeed Dr Hiroshi Nakajima of Japan will be the main item on the agenda of the 32-member executive board of the World Health Organisation at its meeting in Geneva (to January 28). Dr Gro Harlem Brundtland, former Norwegian prime minister, is thought to be the front runner in a six-strong field. Apart from the nomination, to be announced on January 27, the executive board will *discuss a draft global health policy for the 21st century and WHO reform.*

Euro-Arctic talks

The Barents Euro-Arctic Council of foreign ministers from the four Nordic countries and Russia is meeting in Lulea, the capital of Swedish Lapland, for two days of discussions on trade and environmental issues in the Barents region. Hans van den Broek, the EU commissioner for foreign relations, will attend together with representatives of the European Bank for Reconstruction and Development and the World Bank. It is the fifth meeting of the Barents Council since its formation five years ago. Observers from countries including the US, the UK, Japan and Germany are also due to attend.

Recruit result

The Tokyo high court is expected to reach a decision in the case of former vice-education minister Kunio Takaishi, accused in the Recruit shares-for-favours bribery case.

Help for the helpers

Experts in humanitarian law meet in Geneva to discuss the protection of staff of humanitarian organisations and the appropriate response to armed conflicts in the context of disintegrating state structures. The week-long meeting hosted by the Swiss government, which acts as depositary *of the Geneva conventions that protect* non-combatants in times of war, follows a spate of attacks on aid workers in recent years. Also in the spotlight will be the increasingly brutal nature of today's armed conflicts which often deliberately target civilians.

Both president Fidel Castro and Pope John Paul II insist there is nothing political about the pontiff's first visit to Cuba

Hague tribunal

The trial of Serb Slavko Dokmanovic, former mayor of Vukovar charged with involvement in the murder of 260 Croat *men taken from the town's hospital in* November 1991, begins at the UN war crimes tribunal in The Hague.

Inspection team

The Japanese finance ministry's financial inspection department, banking bureau and international finance bureau meet US officials led by comptroller of the currency Eugene Ludwig to discuss financial inspection issues in Tokyo.

FT Survey

Business Education.

Holidays

US, New Zealand.

TUESDAY 20

Something in the air

Japan and the US hold vice-ministerial talks on a revision of their 1952 bilateral aviation agreement in Washington. The two nations appear to be closer to an agreement on ways to *liberalise the Japanese market: specific* measures on expanding code-sharing, beyond-rights and airport slots are on the table. According to US sources, Japan and the US will set the stage for a four-year transitional agreement with a provision for further negotiations in *the fourth year aiming further to* liberalise flights between the two nations and to third nations.

Disarmament talks

The Geneva-based United Nations Conference on Disarmament, responsible for negotiating a *comprehensive nuclear test ban treaty* in 1996, holds its first plenary session of the year. Its 61 members will be hoping for an early end to the deadlock that prevented the conference from doing any substantive work last year. Topping the western agenda are negotiations on a global landmines ban and an end to the production of weapons-grade fissile material – but developing countries have held up these talks by insisting on parallel negotiations on complete nuclear disarmament which the nuclear powers have refused.

Defence moves

US defence secretary William Cohen ends a visit to China and goes to Tokyo for a meeting with prime minister Ryutaro Hashimoto and defence minister Fumio Kyuma. He travels to Korea on Wednesday.

Chewing the fat

This month's meeting of agriculture ministers in Brussels, under the chairmanship of Jack Cunningham, UK agriculture secretary, will be confined to one day rather than the usual two. *Up for discussion will be proposals* by the European Commission to meet World Trade Organisation objections to the way the EU imports bananas, and a ruling by the WTO last week on the EU's fight with the US over beef-treated hormones. The British presidency will also spell out its objectives for the six months ahead.

Peace fund

The World Bank launches the $100m Peace Technology Fund, an investment fund for the Palestinian autonomous territories. Signatories include *Palestinian leader Yassir Arafat,* Shimon Peres, the former Israeli prime minister and World Bank president James Wolfensohn.

Ceasefire hope

Leaders of the opposing sides in the long-running civil conflict in Papua New Guinea's island of Bougainville meet for talks on formalising a ceasefire in Christchurch, New Zealand.

Czech post

Vaclav Havel, the former dissident playwright, faces re-election in the largely ceremonial role of Czech president by members of both houses of parliament. Mr Havel has been president of first Czechoslovakia and then the Czech Republic since 1989, and is the overwhelming favourite to win a second five-year term. He is likely to face rival candidates nominated by the Communist party and the far-right Republican party, but he is officially backed by all the other main parties. However, he is not certain of winning the required majority in each house in the first round and there is also a *possibility that the Republicans may* obstruct the vote. Mr Havel, 61, had part of one lung removed last year, but has had to play a more active role in politics in recent months after the government collapsed in November.

Political view

A delegation from the European Union, *Organisation for Security and Co-operation in Europe* and the Council of Europe visits Albania to observe political development there.

Holidays

Brazil, Iran.

WEDNESDAY 21

Papal visit

Pope John Paul II pays a five-day visit to Cuba, his first to the communist-ruled Caribbean island. The visit is the result of an improvement in relations in recent years between the Catholic Church and President Fidel Castro's Communist party government, easing the mutual hostility of the early years of the 1959 Cuban revolution. Some 3,000 foreign journalists and at least 14,000 pilgrims and other visitors, including a contingent of Cuban exiles from the US, are expected to converge on the island. Both the Vatican and the Cuban government have been seeking to dampen speculation that the Papal visit will produce concrete political results, such as a thaw in US-Cuban relations or democratic changes inside Cuba. Both sides stress that the visit is pastoral in nature. But the Catholic Church is certainly hoping the visit will strengthen its position in Cuban society and open the way for an expansion of its activities.

FT Survey

Indian Power.

THURSDAY 22

Complaints

The World Trade Organisation meets in Geneva to consider three requests for dispute panels. Two of these relate to complaints brought by the US, one alleging unfair subsidies for Australian manufacturers of leather for car seats and the other charging Ireland with breaches of WTO rules on copyright protection. The third is a European Union complaint against South Korean restrictions on dairy products.

Cape crusader

The space shuttle Endeavour is scheduled for take-off from Cape Canaveral, Florida, for rendezvous and docking on Friday with the Mir space station where US astronaut Andy Thomas will replace David Wolf.

Farm forum

An international agricultural forum on EU farm policy and world trade is held in Berlin ahead of the new Word Trade Organisation round of trade talks, organised by German farm union DBV. *Speakers include EU farm commissioner Franz Fischler* and representatives from European agriculture ministries and farm unions.

Baltic exchange

Eleven heads of state and government of the Council of Baltic Sea States including German chancellor Helmut Kohl and Russian prime minister Viktor Chernomyrdin meet in Riga to discuss co-operation to combat crime, drug smuggling and illegal migration.

Last war treaty

Japan and Russia hold a deputy foreign ministerial meeting to discuss ways to conclude a peace treaty that would formally end the second world war.

FT Survey

FT500.

FRIDAY 23

Olympic flame

The Olympic flame arrives in Nagano prefecture after an 18-day journey around Japan. The flame will then travel to 120 cities, towns and villages in the prefecture via three separate routes and be united into one flame at the opening ceremony on February 7. The flame has accidentally blown out several times on the way.

Central Europe summit

The presidents of Ukraine, the Czech Republic, Italy, Hungary, Germany, Poland, Austria, Slovakia, Slovenia, Bulgaria and Russia meet at the fifth annual summit of central European states in Levoca, Slovakia.

FT Survey

Global Investment Banking.

Holidays

Bangladesh.

SATURDAY 24

Chirac visits India

French president Jacques Chirac visits Bombay and holds talks with Indian president Kocheril Raman Narayanan and prime minister Inder Kumil Gujral. He goes on to New Delhi on Monday for India's National day celebrations.

Let's have launch

The Khrunichev Space Centre in Moscow unveils the first segment of the Alpha international space station to be sent to the Baikonur launch site in Kazakhstan. The launch is scheduled for later in the year.

Compiled by Roger Beale.
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ECONOMIC DIARY

Other economic news

Monday: UK public sector borrowing for December is expected to show a further small improvement on a year earlier. The first "windfall tax" payment is due, adding £2.6bn to receipts.
Tuesday: Moderate M3 money supply growth in Germany for December should still be below 5 per cent. *Germany's trade balance* is likely to remain positive thanks to strong exports.
Wednesday: The US balance of payments deficit for November is likely to widen, following the relatively sharp $1.5bn contraction in October. Japan's trade balance may see another Y1bn-plus surplus.
UK retail sales for December *are also published, and* include the start of the New Year sales period.
Thursday: Housing starts in the US are expected to have reached around 1.5m for the fourth consecutive month, thanks to mild winter weather.
Friday: German consumer price rises are predicted to be weak this month, reducing the chances of a Bundesbank interest rate increase.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Nov machnry ordrs ex-elect & ships**	-10.0%	-14.3%	Jan 22	US	Dec housing starts	1.52m	1.53m
Jan 19	Japan	Nov machinery orders ex-elect & ships	-4.7%	16.3%		US	Dec building permits		1.45m
	UK	Dec public sect borrowing requirement	£300m	£2.3bn		US	Initial claims Jan 17	325k	335k
	Canada	Dec leading indicators†*	0.5%	0.6%		US	State benefits Jan 10		2377k
Tues	Germany	Nov trade balance	DM11.3bn	DM10.9bn		US	M1 week ended Jan 12	$-7.3bn	$9.6bn
Jan 20	Germany	Nov current account	DM0.0bn	DM-5.0bn		US	M2 week ended Jan 12	$-2.8bn	$8.8bn
	UK	Dec vehicle production		N/A		US	M3 week ended Jan 12	$0.1bn	$16.1bn
	Canada	Nov manufacturing new orders	0.5%	2.1%	Fri	UK	Q4 prelim gross domestic product***	0.6%	0.8%
	US	Bank of Tokyo-Mitsubishi Jan 17		0.3%	Jan 23	UK	Q4 prelim gross domestic product**	3.3%	3.7%
	US	Redbook Jan 17		1.9%		Canada	Q4 housing starts†	152k	148.7k
Weds	Japan	Nov industrial production†		-4.1%		Canada	Nov retail sales†*	0.6%	0.3%
Jan 21	Japan	Nov shipments†		-5.3%		US	Dec treasury budget	$19.0bn	-$17.3bn
	Germany	Dec Ifo west business climate index	98.6	99.1	Sat	Taiwan	Dec M2**		7.30%
	Germany	Dec Ifo west balance format		3.5	Jan 24	Malaysia	Nov manufacturing sales**		15.1%
	UK	Dec retail sales*	0.5%	-0.4%	During the week...				
	UK	*Dec retail sales***	*6.1%*	*4.6%*		Germany	Dec producer price index*	-0.1%	0.0%
	UK	Dec M4*	0.5%	0.8%		Germany	Dec producer price index**	1.1%	1.2%
	UK	Dec M4**	11.5%	10.5%		Germany	Dec M3 from Q4 96 base	4.6%	4.7%
	UK	Dec M4 lending	£4.0bn	£7.2bn		China	Q4 gross domestic product	9.4%	8.0%
	US	Nov trade: goods & services	-$10.2bn	-$9.7bn		Germany	Dec import prices*	-0.2%	-0.3%
	US	Nov goods & servs export (bal of pay)	$79.9bn	$80.0bn		Germany	Dec import prices**	2.0%	3.1%
	US	Nov goods & servs import (bal of pay)	$90.1bn	$89.7bn		Italy	Dec balance of payments		L0.8tn
	Canada	Nov wholesale trade†*	0.9%	1.8%		Italy	FX reserves		L129tn
	Japan	Dec trade bal (customs cleared) not†	Y1.36tn	Y879bn		Italy	Dec total bank lending		4.5%
Thurs	France	Nov industrial production†*	-1.2%	3.3%					

*month on month, **year on year, *** qtr on qtr, † seasonally adjusted. *Statistics, Standard & Poor's MMS.*

MONDAY PRIZE CROSSWORD

No.9,584 Set by BATS

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday January 29, marked Monday Crossword 9,584 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 2. Please allow 28 days for delivery of prizes.

Name...

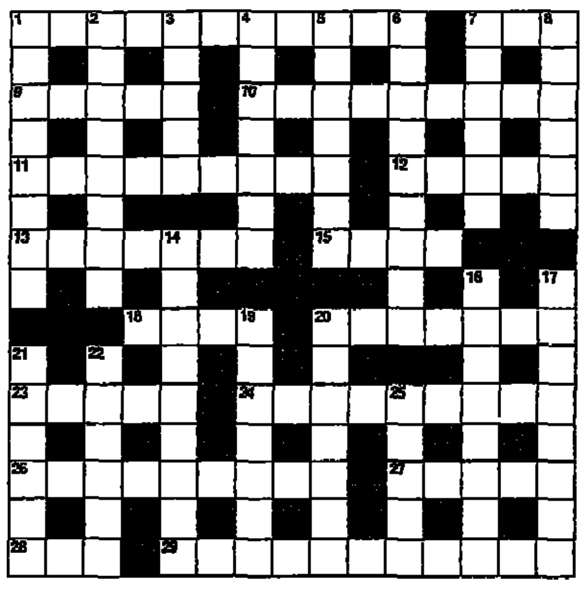
Address...

ACROSS

1 Eating disorder (11)
7 Successful strike? (3)
9 Stand-in copper arrested by acting Herbert (5)
10 Vibrations scare none away (9)
11 Manipulate saw: do it on tree (9)
12 Nobody's heading into the distance with the AA (5)
13 Names brought about by perfect recall? Hardly! (7)
15 Don Juan scrapes together anything loose (4)
18 Clouds moving, look out as clouds move (4)
20 Strip empty box? (7)
23 Boy, some like it hot! (5)
24 Improper date lurer? (9)
26 Check carriages in repose (9)
27 Large breast sizes featured in repellent tabloid perhaps? (5)
28 O for the endless river (3)
29 *One's bananas, bananas* needed to enter Brazil? (11)

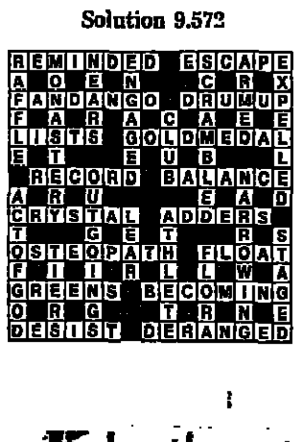
DOWN

1 Massive deficit in fuel (8)
2 Addiction to cigarettes fills one bed in nine (8)
3 Take hands off peacekeeper? (5)
4 Climbing apparatus, therefore to be seen in mountain climbing (7)
5 One with privileged access to information gets the batting team runs (7)
6 Terribly right! One monk's habit absent here (3-6)
7 Name of composer we hear? (6)
8 Ancient city backstreet accommodates goddess (6)
14 Tea bag goes first, right in sugar (9)
16 Breakfast time? (8)
17 Charges with the responsibility of making test runs (8)
19 Frank perhaps wants ambush set up, then it's *organised* (7)
20 Token riposto (7)
21 Slippery slope providing awful risk to one in Grenoble? (3,3)
22 Runs out of gas, the Spanish fuel (6)
25 Note on doctor's prescription maybe? (5)



WINNERS 9,584: B.M Aish, Warlingham, Surrey; winner D. Oram, Brookmans Park, Herts; P.C.R. O'Ferrall, Godalming, Surrey; Mrs M. Scott, Sidcup, Kent.

Solution 9,572

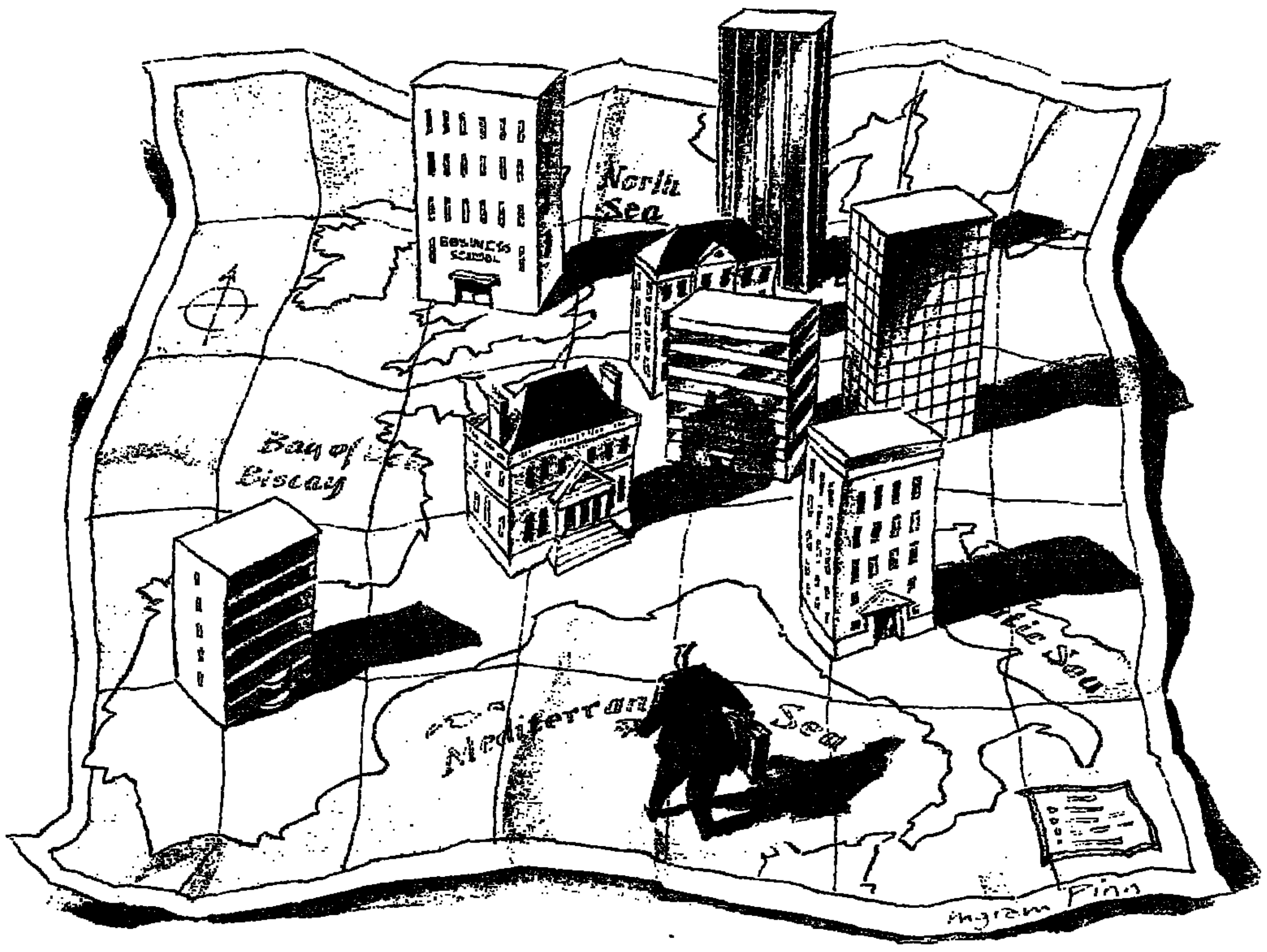


JOTTER PAD

BUSINESS EDUCATION

Europe's MBA schools are responding to calls for the promotion of a world view in business. **Della Bradshaw** reports

Opting for a broadened outlook



In 1993 Brett Rierson, a manager from Milwaukee, decided to study for an MBA. His most obvious choice would have been to attend one of the big US business schools but he chose instead to attend Insead, in Fontainebleau, near Paris.

Today, based in London and now vice-president for the international arts and non-profit division of AT Kearney, he has no doubt that he made the right decision. "Going to a US school would have helped me work in the US. Insead opened the door for me in Europe." With Insead commanding a growing reputation in the US he says he could easily get a job of commensurate status if he returned to the US.

The advantage has been more than just geographical. The huge mix in nationality of both students and faculty means that the curriculum taught at Insead is intrinsically international in perspective, he says. Mr Rierson believes the outlook offered by Insead is what businesses seek from their managers today. "Four years ago you didn't hear about all these global issues but now if you listen to the people who are recruiting, what they want are global managers."

While European business schools have traditionally been seen as the poor relations of their US rivals, these days US companies are increasingly looking to Europe to fill their MBA recruitment quotas.

Initially their requirements have been for MBAs living in Europe to staff their European offices, says Kal Denzel, IMD's director of admissions and career service. "They are beginning to realise that rather than recruit MBAs in the US and send them across, or going to the expense of relocating existing managers from the US with their families, there are better qualified people over here already."

Many big organisations are altering their recruitment lists, she says. Instead of recruiting at the 15 top US business schools they are looking at 10 US schools and a handful of European schools.

In the past year, US recruitment has gone one step further, notes Ms Denzel. Seven of the graduating class of '83 at IMD were offered jobs in the US, and only three of the candidates were Americans. "The challenge is to get a US recruiter to come to IMD and say they want to recruit for Europe, the US and Asia," she says.

The trend is particularly noticeable in sectors which are strong recruiters of MBAs, noticeably consultancy and banking. In the past two years the Wall Street recruiters forum, in which America's biggest banks brief business schools on their requirements for MBA graduates, has invited career development officers from some European schools to attend, alongside a score of their US peers.

Increasingly the profile of staff sought by banks reflects a more European or international perspective, says Tony Summers, director of career planning at the Erasmus graduate school of business at the Rotterdam School of Management. "One bank went as far as to say it was considering whether to insist that its recruits speak two languages."

With most European schools eager to increase the proportion of their foreign students – for sound academic as well as financial reasons – most of them can easily outstrip their US counterparts in an international student headcount.

A look at the top regional schools in the UK serves to prove the point. At the University of Bath 50 per cent of the intake on the full-time MBA programme is from outside the UK; at Nottingham university school of management and finance the figure is 65 per cent; and at Lancaster university management school 82 per cent are from overseas. The international bias, however, does not extend to the faculty.

By comparison, the vast majority of faculty from the bigger international schools are foreign nationals. At Insead, for example, only 15 of the 100 faculty are French and more than a quarter of the staff – 26 per cent – are from the US. In all, 24 different nationalities are represented on the faculty list.

At IMD, in Switzerland, the figures are equally international: only five of the 43 faculty are Swiss. Again the largest contingent – 10 – is from the US.

At London Business School 54 per cent of the faculty are from outside the UK. In 1989 the percentage of non-UK faculty stood at just 20 per cent. At Erasmus, 50 per cent of the faculty on the MBA programme are Dutch, the other 50 per cent from overseas.

While it is hard to think of any top-ranking US business school that has a dean from outside the US, Europe's three most prestigious schools have until recently all had overseas principals. Insead's Antonio Borges is from Portugal, IMD's Peter Lorange is from Norway and George Bain at London Business School (who left in December) was Canadian. Even the replacement principal at LBS, Briton John Quelch, who will take up his new role in the summer, has spent all his career at North American business schools.

As to Mr Rierson, he was by no means the only US respondent to the FT survey of European MBA graduates* who valued the international education available at a European schools. Tara Whitehead returned to the US to work as a management consultant for the IBM Consulting Group in Atlanta, Georgia, after completing her MBA in the Netherlands at Nijenrode.

Her decision to study at Nijenrode was due to a wish to distinguish herself from the thousands of other MBA graduates who flood the US job market every year. She believes American managers considering an MBA degree are limiting their options if they do not investigate programmes outside the US.

"What I really valued about the course was that you could take the programme and put it anywhere in the world. It had international students and faculty and visits from international executives." Moreover, she says, it enabled her to spend a year overseas. "It gave me the opportunity to look at my own country from a completely different perspective."

**The FT survey, reported on the next four pages, looks at the career progression of more than 1,200 MBAs who graduated from European schools in 1994.*

IN THIS SURVEY

■ FT Guide to European MBAs:

■ Business Education:

SURVEY RESULTS • by Della Bradshaw and Parminder Bahra

A passport to progression

There is value to be had from gaining an MBA but attending the right school helps

An MBA degree, long regarded with suspicion by employers and would-be students alike, is now proving to be of real career value to thousands of European graduates.

The FT survey of 757 full-time MBA students who graduated in 1994 showed salary increases of 92 per cent over a four to five year period. Before studying for their degrees only four per cent were at director level and one per cent were financial directors. Three years after graduation, 16 per cent are directors and three per cent are financial directors.

Today, a typical MBA graduate of 1994 is male, 33-years-old and could well work for an industrial company. He will probably earn around £52,000 and is just as likely to have studied overseas as at home.

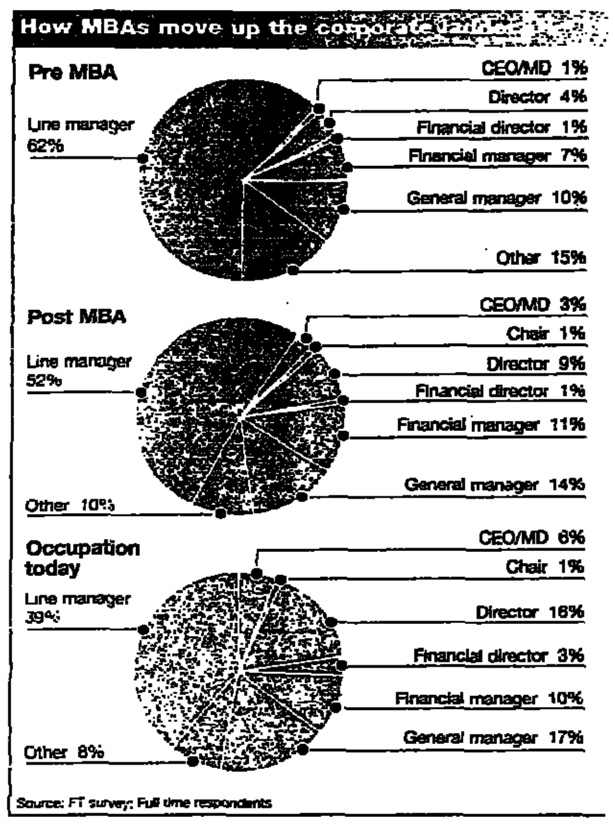
Although this is the average, the survey revealed some surprisingly high salaries, particularly in banking and consultancy. Of our sample, two MBAs, one from Insead and one from London Business School earned over £300,000 a year. A further three, from IMD, Iese in Barcelona, and Warwick Business School, earned more than £200,000 a year. Nearly 40 students, all in their early thirties, earned more than £100,000 and almost all come from the five schools mentioned previously.

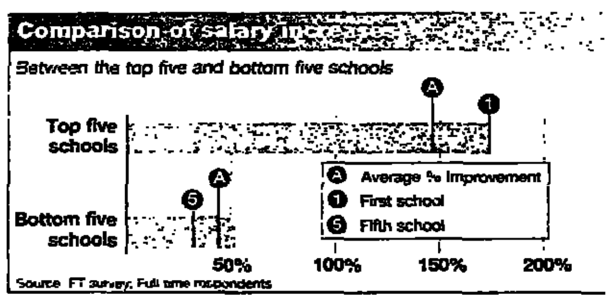
But the disparity between the best business schools in Europe and the worst is painfully obvious. The FT survey looked at just 46 schools which had been accredited by one of the three accreditation bodies that work across Europe. The difference between the percentage salary increases earned by the alumni of the top five of those schools and the alumni of the bottom five is significant.

Alumni from the five top schools had percentage salary increases of 147 per cent over the four year period and saw their salaries actually rise by £32,716. The bottom five saw their salaries rise by just 44 per cent over the same period, with actual salary increases of just £11,517.

Yet, these 46 schools are the best of the bunch. In total there are more than 200 MBA programmes on offer in Europe, more than 120 of them in the UK alone, offering a range of courses.

The message from all this is to choose your programme carefully. It was noticeable from the comments made by the respondents to the FT survey that euphoric responses came from the more prestigious schools. Alumni from other schools said that employers often overlooked MBAs recipients from the smaller schools. As one respondent put it: "I spent a long hard year doing my MBA and it was of enormous value to me at a personal level. But prospective employers weren't interested. I wish I'd gone to Insead."





For women, too, the MBA has not proven to be the career panacea. Although they are earning only marginally less than men on starting their courses, and their first jobs on graduation are comparable, three years after graduation their salaries are woefully adrift of their male counterparts. One reason is that the MBA gave many the confidence to work part-time or become self-employed while others opted for family or career breaks. There is also a significantly higher proportion of women who migrate to or stay in the public rather than the private sector.

However, for those who did graduate from 50 or so schools featured in our survey there was a surprising uniformity in the benefits they believe they have accrued. Comments included:

● The MBA "opened doors" to a wider range of professions. In particular it enabled many technical managers to move from a line manager role to that of a general role. Our survey showed that before the MBA 62 per cent of respondents described themselves as line managers. On graduation that figure had dropped to 52 per cent and by today, three years on, the figure has dropped to 39 per cent. Over the same period the proportion of general managers has risen from 10 per cent to 17 per cent.

> A graduate's view: 'I've changed in dimensions – to a new industry, a new role and a new location.'

● The MBA was a vital stepping stone for people who simply wanted a change of career. In particular it was seen as a vital component for those who wanted to move into banking or consultancy.

● Many MBAs who worked in large corporations or in the public sector, such as the health service, felt an MBA was a vital component for a move upwards in their own organisations.

● A proportion of the respondents simply wanted the know-how to enable them to do their existing jobs more effectively.

● Almost all the students who studied overseas, and some who studied in their home country, commented on the international exposure they enjoyed.

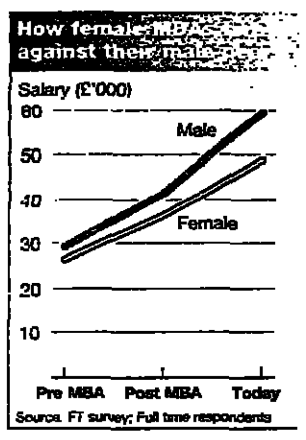
For some alumni the course provided all the benefits rolled into one, as for one Australian graduate from IMD, now a consultant earning $100,000 (£61,350) a year. "The MBA has enabled me to change in three dimensions: industry (from telecoms carrier to consulting); role (from marketing to business strategy) and geography (from Asia Pacific to Europe). The combination of the three has been the key generator of benefits increase."

As to the skills they learnt on the course, the students were surprisingly uniform in their assessment. The courses gave them:

● personal confidence
● networking skills
● an international perspective
● and the ability to learn other languages.

On a personal level almost all respondents mentioned the friends and business networks they had made on the course. Several even met their spouses in the same study group!

Many of the students commented that their MBA course was the best thing they ever did: others were less sure. In particular many felt an MBA, though widely recognised in the multinationals, was largely undervalued in smaller companies. Older students, particularly those over the age of 40, were less optimistic.



Others warned that an MBA might get you the interview and that employers were more willing to take a risk by employing someone with an MBA. However, once you had the interview it was your other attributes, and particularly your relevant work experience, that secured the job. "The MBA is a passport, not a meal ticket," as one alumni commented succinctly.

Respondents said MBAs "opened doors" for them

Cranfield

COMPANY SPONSORSHIP • by Parminder Bahra

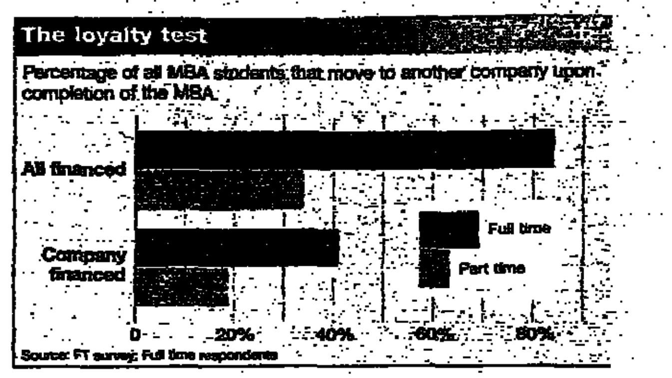
The pros and cons of assistance

Financial aid can be a double-edged sword for students and employers

The cost of financing your MBA could set you back between £10,000 and £100,000. Add to this the opportunity cost (salary loss) and you could be looking at figures in excess of £140,000 for a year's study as was the case for an American student attending Insead.

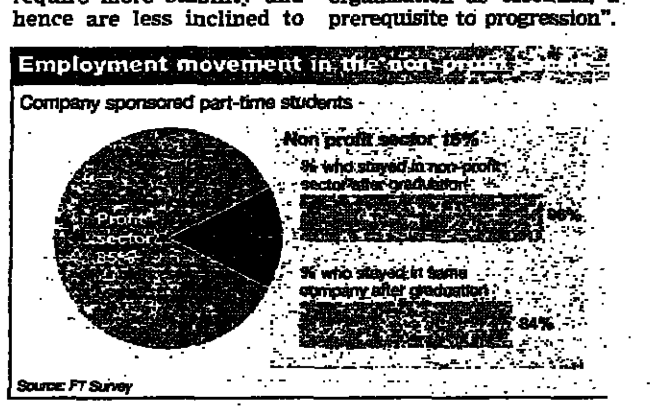
A cheaper way of gaining your MBA is to do it part-time (see article on page five), but this means simultaneously holding down a full-time job, and taking at least twice as long to graduate. Cheaper still, get your employer to sponsor you, paying up to 100 per cent of fees and contributing towards maintenance during the course. It is more likely that firms will sponsor employees on part-time courses rather than full-time. Of the total part-time returns, 57 per cent were company sponsored compared to only 15 per cent of full-time returns.

For the prospective student, sponsorship provides the route to professional development and promotion with minimal risk. For firms, however, this is a large outlay and what employers need to know is the likelihood of employees gaining an MBA and moving to another company. The FT survey results provide interesting reading for human resource managers and sponsors. In the case of full-time students, 40 per cent of company sponsored graduates changed employer upon completion of the MBA. This is considerably lower than the figure for all full-time graduates (see table), regardless of their source of finance, but provides cause for concern to sponsors. Three years on, 66 per cent of sponsored employees had moved.



The part-time figures provide more comfortable reading. Only 19 per cent of company sponsored graduates moved to a different employer on graduation. But three years on, the figure had risen to 64 per cent.

Generally, part-time students show more loyalty, with only 34 per cent of all graduates, irrespective of their type of financing, moving to different companies after completing the MBA. This may be a reflection of the profile of our part-time MBA students. The average age of part-time respondents at the start of the course was 35, whereas the equivalent full-time figure was 29. Part-time students are more likely to have dependants, require more stability and hence are less inclined to move jobs. The sector showing greatest loyalty is the non-profit sector. Amongst all part-time students, 15 per cent were in this sector - comprising mainly local government and health authority employees. Only 16 per cent of these graduates changed employer after the MBA. Even then, nearly all (96 per cent) stayed in the non-profit sector. The same percentage were still in this sector three years after graduation, although the percentage of graduates who had never changed employers had fallen to 56 per cent. This suggests that the non-profit sector is beginning to value the skills taught within MBA programmes, and recognises that they are not the exclusive to the commercial sector. Says a local government employee: "The MBA is now seen in my organisation as essential, a prerequisite to progression".



The participants

Forty-nine European business schools, all listed below, agreed to participate in the FT Guide to European MBAs. Some have full-time programmes, others part-time programmes, others both. All the schools participating in the survey are either taking part in the European-wide accreditation process run by the European Federation of Management Development (EFMD), in Brussels, or have MBA programmes which are accredited by the Association of MBAs, in London. No European schools accredited by the American accreditation body, the AACSB, fit the profile for the survey. In the final analysis, alumni from forty-six of the schools took part in the survey.

- **Belgium:** Katholieke Universiteit Leuven.
- **England:** Ashridge Management College, Aston Business School, University of Bath School of Management, Birmingham Business School, Bradford Management Centre, Bristol Business School, Judge Institute at the University of Cambridge, City University Business School, Cranfield School of Management, De Montfort University, Durham University Business School, Henley Management College, Imperial College Management School, Kingston Business School, Lancaster University Management School, Leeds University Business School, London Business School (LBS), Manchester Business School (MBS), Manchester Metropolitan University, Middlesex University Business School, University of Newcastle School of Management, Nottingham University School of Management and Finance, Sheffield Business School, Sheffield University Management School, Warwick Business School, University of Westminster London Management Centre.
- **Finland:** Helsinki School of Economics and Business Administration.
- **France:** EAP European School of Management, EM Lyon (formerly ESC Lyon), ENPC, ESC Nantes Atlantique, ESC Paris, ESC Reims, HEC School of Management, IEP (Institut d'Etude Politiques de Paris), Insead.
- **Italy:** SDA Bocconi
- **Netherlands:** Nimbas, RSM Erasmus, the Netherlands business school at Nijenrode University.
- **Scotland:** Edinburgh University Management School, University of Glasgow Business School, Stirling University, Strathclyde Graduate Business School.
- **Slovenia:** International Executive Development Centre (IEDC).
- **Spain:** Esade, Instituto de Empresa, Iese at the University of Navarra.
- **Switzerland:** IMD

Additional research by Alice Hunt and Ned Denny.

The full-time route to financ[illegible]

Schools listed according to the salaries their alumni earn today

School	Length of course months	% of overseas students in 1997 intake	Average job offers per student (1995-1997)	% of students taking jobs abroad[5]	Employment 3 months after course completion	Ave age of respondents at beginning of the course	Ave cost of study (inc lost salary) £	Average cost (1997 prices) £	% of alumni using c.d.o[6]	% achieving profession of choice	Average % increase[7]	Pre MBA salary	Today salary
IMD[1]	11	95	3	n/a	100	30	74,207	76,567	31	52	115	39,797	85,737
INSEAD	11	86	4[3]	n/a	98	28	63,601	66,788	44	57	127	33,253	75,662
London Business School	21	80	2.3	55	98	28	79,224	84,857	46	56	174	25,355	69,535
Warwick Business School	12	60	2.5	19	96	31	50,093	54,341	12	71	97	32,189	63,426
Ashridge Management College[1]	12	34	n/a	36	96	33	67,160	72,855	0	73	66	33,864	56,207
Cranfield School of Management	12	41	3.3	20	95	30	46,950	50,932	11	61	97	27,797	54,556
EAP, European School of Management[1]	12	74	1.7	65	100	30	53,102	55,763	13	38	91	28,425	54,152
IEP, Institut d'Etude Politiques de Paris[1]	9	55	4.0	30	100	30	51,837	54,434	8	54	52	33,967	51,715
City University Business School	12	41	2.5	5	n/a	29	50,014	54,255	11	77	47	34,776	51,200
RSM Erasmus	18	97	3.5	40	90	26	46,623	49,472	11	33	91	26,183	50,093
Manchester Business School	18	75	2.5[4]	29	81	26	58,206	63,142	33	67	137	20,634	48,955
Nijenrode University	12	85	4.3	40	95	27	38,399	40,745	11	61	132	20,405	47,256
HEC[2]	16	40	2.3	41	100	28	47,070	49,428	3	35	72	26,237	45,153
IESE	21	48	2.3	38	97	26	57,691	63,749	50	44	138	18,786	44,653
SDA Bocconi	16	44	2.5	40	90	28	43,531	50,336	24	48	72	21,601	37,178
Lancaster University[1]	12	83	n/a	n/a	n/a	29	35,299	38,292	6	50	54	21,816	33,506
Instituto de Empresa	15	42	9.3	52	60	27	32,720	36,155	62	67	72	19,359	33,229

Source: Schools for first 5 columns; FT survey for next 8 columns. Only schools with greater than 20% response rate are included in this table

1. Includes alumni from 1993 and 1994 2. ISA programme only 3. 1995 and 1996 only 4. 1997 only 5. ie outside their national country 6. career development office 7. increase in today's salary over pre MBA salary

FULL-TIME MBAs • by Della Bradshaw

Diverse in style and options

Research the choices before deciding where to go and how much to spend

Last autumn a reader of the *Financial Times* wrote to the editor complaining about a recruitment advertisement which appeared in the newspaper. In the advert for a top management position the headhunters required all applicants to have an MBA from one of three European business schools: Insead, IMD or London Business School.

The author of the letter, himself a graduate of Erasmus, the graduate school at the Rotterdam School of Management, complained that it was no longer true that there were just three good business schools in Europe.

He clearly had a point. With six schools in our survey enabling alumni to double their salaries in just four or five years, there is a greater choice of reputable schools than ever for the discerning MBA applicant.

Just what determines the final salaries and salary increases among schools in the table is more than just the quality of the course. Age plays an important factor in determining which of the schools deliver the highest percentage increases.

The schools with the youngest students, and therefore earners of the lowest salaries at the outset, fared better in this regard (in percentage terms). Interestingly, the two-year programmes, from London business school and Iese, rather than the one-year programmes, scored highest.

In terms of the salaries earned by 1994 alumni today, it is IMD that tops the charts. Again, age is a factor because IMD students were, on average, two years older than the students who studied with main rivals (Insead and London Business School), and therefore earning more to begin with.

The salaries that IMD participants relinquished in order to do the course averaged £39,797, more than alumni from Bocconi in Italy, or Instituto de Empresa in Spain, had achieved even three years after graduation.

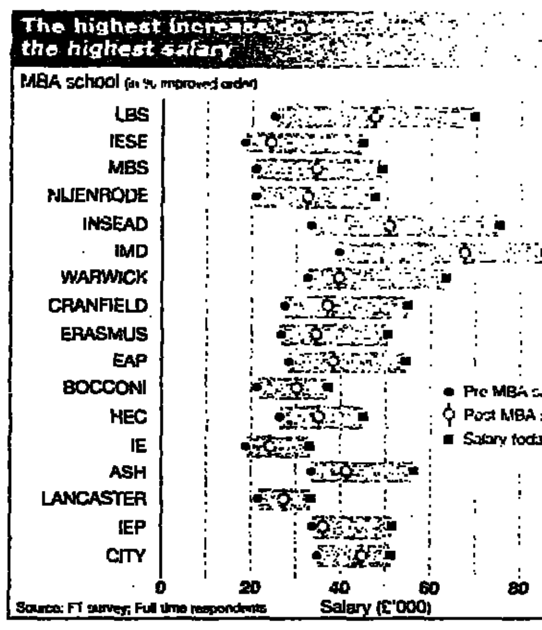
Other statistics also require careful interpretation. City University, for example, tops the table when it comes to the proportion of its full-time students that achieved their desired profession. However, City University's strong links with the City of London financial centre would inevitably attract students who wanted to move into finance and banking.

It is no surprise, then, that accordingly to respondents from the survey, City had the highest proportion of students of all who went into finance and banking: 40 per cent (see table page 4).

So, too, the cost of doing the course is estimated from the responses to the FT survey by including the average salary that a student has to forego to study. At IMD the cost is more than £74,000, a high price for a one-year course. But once the average annual salary of nearly £40,000 is removed the figure is much more in line with rival Insead.

When the opportunity cost is removed the course at Insead cost the 1993 intake £30,248 on average, while at IMD the figure was an average £34,410.

The highest increase to the highest salary



Source: FT survey; Full time respondents

Where schools have a paid placement in the middle of the course – LBS, Iese, Erasmus and Manchester Business School are four that do – participants can earn thousands of pounds to offset against their tuition costs and living expenses.

The comparative survey was carried out on schools where more than 20 per cent of the students responded to the FT questionnaire. Although a low return does not indicate anything about the quality of the course, a high return may indicate a high degree of loyalty felt for the school by alumni.

The highest percentage return rate came from Warwick Business School, where more than 40 per cent of those targetted responded to the questionnaire.

For those who want to work outside their own country on completing their MBA, several schools stand out. EAP, the European School of Management, with sites in several different European countries is one obvious choice. Of the big schools it is LBS that won approval.

While the powerhouse American business schools, often referred to as "MBA factories" are developing marketing strategies to differentiate themselves from each other, the European schools are by their very nature a diverse bunch.

EAP is one of the smaller schools in the survey with just 25 students on its full-time programme. Ashridge, had just 23 students in 1997 and the MBA Sciences Po programme at IEP has just 35 students a year. At the other end of the scale Insead is regularly increasing its intake and in 1997 it took in 513 MBA participants. Iese took in 418 students last year to its full-time MBA programme in Barcelona.

Some European programmes last two academic years, the same as most US business courses. Others last only 18 months and some just a year. Some schools have company placements at the end of the first year, others propel their students straight into the job market.

Insead and Erasmus take in two cohorts of students a year, others usually have only one intake. Language requirements vary too. Many schools require participants to speak two languages, while many schools have bilingual programmes.

While most schools are attached to state universities, two of the UK's best-known schools, Ashridge and Henley Management College began as independent management centres.

ANALYSIS The survey results

Assessing the rules of engagement

The Financial Times invited 50 schools who run accredited full-time and part-time programmes (see table of participants on page two) to take part in the survey. We did not include distance learning courses because of the variation in finishing times, usually 3-5 years, and the difficulty in assessing the impact of the course on career progress.

The survey elicited replies from 87 nationalities, resident in 65 countries around the world.

We asked respondents for information from three stages, immediately before they started the MBA, after the MBA and today. The questionnaires were sent to alumni from 1994 and if the total intake for a single year was less than 100, the schools were invited to submit questionnaires to alumni from 1993 as well. Alumni were chosen for 1994 as it was felt that the three year interval would allow us to assess the value of their degree. Responses from earlier graduates would have reduced the response rate.

In total, 5,817 questionnaires were sent to full and part-time graduates. Of these, 1,302 were returned of which 1,224 were usable. This represents a return of 21 per cent. For the individual school analysis, only schools with returns in excess of 20 per cent were included. Therefore a school's absence does not in any way reflect its performance.

A study which involves international institutions, employment migration, temporal effects and salaries will have to be assessed carefully. A comparison of students in different countries may be biased if no correction for wage inflation and standards of living is made. However, we have decided to show absolute values (direct conversion of local currency salaries into sterling using an average annual exchange rate) on the basis that it is difficult to make comparisons of wage rates because countries use different conventions in their calculations. Furthermore, the returns were dominated by graduates in industrialised countries where inflation rates have been low and stable relative to the 100 per cent plus improvement in salaries seen in many of the participating schools.

In using percentage change figures for the increase in salaries, the problem of living standard differences is reduced. Only those students that move between countries with significant living standard differentials will affect these figures. To accommodate this, we deflated the figures using GDP per capita data with purchasing power parity corrections. This produced a top five, in percentage improvement terms of LBS, IMD, Insead, Warwick and Cranfield, which reflects the percentages of students that take up employment outside their national countries. However, we felt this to be a crude deflator and that the results were not sufficiently robust to warrant further analysis, largely because of the criticisms suggested above.

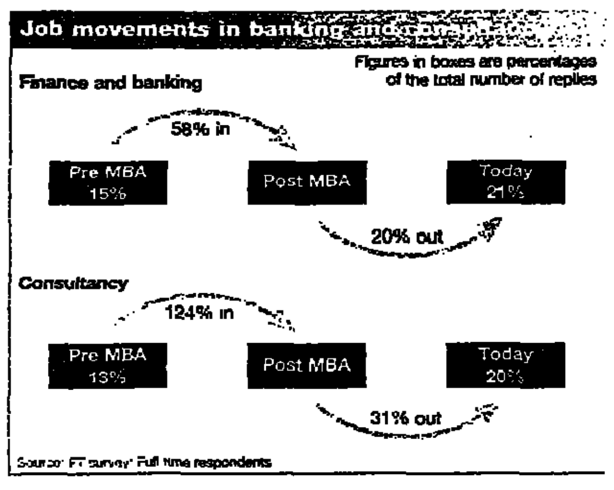
A second questionnaire was sent to business schools, and the data was used to complete the first half of the full-time table.

Parminder Bahra

MANAGEMENT CONSULTANCIES AND INVESTMENT BANKS • by Della Bradshaw

A boom for graduates

Competition for the next wave of top MBA students is fierce in these sectors



Management consultancies and investment banks have won the reputation as the two biggest recruiters of MBA graduates and not without justification.

Following cutbacks by management consultancies earlier in the decade, it is a sector now witnessing an unprecedented boom. With the demand for management consultants growing at a rate of 20 to 30 per cent a year, consultancies are looking for ever increasing numbers of newly-graduated MBAs to plug the gap in their pool of consultants. Today, management consultancies are undoubtedly the biggest single recruiters.

The number of new consultants needed to feed the $35bn (£21.4bn) a year industry is compounded by the fact that many consultants often leave once it becomes clear that they are not going to make partner level.

As a rule of thumb, the big management consultancies expect eight out of 10 of their consultants to move out of consultancy and into industry within 10 years of joining the firm. (In the FT survey of 1994 graduates, 21 per cent of the total student body took jobs in consultancy on graduation. Three years later nearly a third – 31 per cent – had already moved on.)

The result is that, internationally, the big consultancies alone need to recruit some 2,000 new consultants each year.

Not surprisingly, increased competition has resulted in escalating salary offers. These financial inducements make it hard for the newly-graduating MBA to resist the lure of the big consultancies, says Ian Godden, UK managing partner for management consultants Booz-Allen & Hamilton.

Mr Godden is responsible for interviewing between 100 and 200 potential consultants for his firm every year. "Despite everything they've learnt at business school about long-term financial planning they are lured by the short-term gain," he says.

The starting salaries offered this year at the established business schools for a 28 or 29-year old MBA average £55,000 to £60,000 a year, but on top of that there is one-off sign-on bonus of £15,000, enough to pay off the fees of many courses. Many students see the sign-on bonus as a sort of belated sponsorship deal, admits Wendy Hall, career development manager at Cranfield, in the UK.

The result is that traditional industrial recruiters have been forced to rethink the salary packages they offer to potential employees to compete with the consultants. Some industrial companies are even pondering the idea of sign-on bonuses themselves says Ms Hall.

As for the consultancies, they are having to spread their nets even wider to draw in the number of new consultants they need to support the business. Gone are the days when it was enough to trawl a handful of big schools – Harvard, MIT, Stanford and Wharton in the US and Insead in Europe, for example – to get the required numbers.

The beneficiaries have been schools such as Cranfield in the UK and IMD in Switzerland, traditionally seen as recruiting ground for industry. At IMD the firms are particularly looking for consultants to work in specific lines of business such as pharmaceuticals.

Trying to spread the net to the even smaller schools would be prohibitively expensive, says Mr Godden. "There are some great people at the business schools that don't get the ratings but as a commercial decision it is not worth pursuing these schools just for the few."

The banks, too, are following a similar pattern. At the Erasmus school, in Rotterdam, offers by overseas banks, most notably London's investment banks, are swelling the sign-on salaries of its MBA graduates. The school estimates that many students are actually leaving the one-year MBA course with a salary double the one they enjoyed before starting the course.

Deutsche Morgan Grenfell, for example, recruits 75 MBAs globally, with 30 of those in Europe. Salaries for new recruits are benchmarked globally against the big US banks, which this year means a total starting package of $120,000.

As well as the big US schools – Harvard, Warton, MIT, Chicago, Stanford, Columbia – Deutsche Morgan Grenfell targets London Business School, Insead and Erasmus.

Though an MBA is not a prerequisite to becoming a management consultant, it is certainly a big advantage: between 65 and 70 per cent of management consultants have an MBA and the qualification is largely required by clients, says Mr Godden.

The first advantage of an MBA is the business practices that the MBA instills. "MBAs carry the business framework in their heads," says Mr Godden. He adds that Insead undoubtedly produces the most effective consultants of all the European schools, a view which other consultants acknowledge: in 1997 Insead's five biggest recruiters were all management consultancies.

But just as important is the network of students whom they meet on the course. Not only do individual students move into positions where they might need to employ a consultant, the majority of business for management consultants – the figure could be as high as 70 per cent – comes from managers who themselves went to business school.

Although in the short-term management consultancy is seen as a lucrative option, in the long-term it is industry, with its executive salaries and generous share options that is likely to deliver the real financial rewards, says Mr Godden. One consultant who took this route and opted for industry is Archie Norman, chairman of Asda, and a Harvard MBA who did a spell at McKinsey & Co. Newly-elected leader of the UK Conservative party William Hague also worked for McKinsey for a spell between completing his Insead MBA and starting a career in politics.


William Hague, UK Conservative Party leader (left), and Asda chairman, Archie Norman, entered consultancy following MBAs

The schools which are strongest in consultancy, finance and industry

School	% in consultancy post MBA	School	% in finance post MBA	School	% in industry post MBA
INSEAD	37	City University	40	IMD	[illegible]
London Business School	32	London Business School	30	HEC	45
Cranfield School of Management	29	RSM Erasmus	[illegible]	SDA Bocconi	[illegible]
Nijenrode	28	IESE	27	Lancaster University	38
RSM Erasmus	26	Instituto de Empresa	[illegible]	IESE	[illegible]

Source: FT Survey

BUSINESS LEADERS' TOP SCHOOLS • by Della Bradshaw

The best for visibility

Europe's business leaders tell the FT where they studied – and where they recruit

Location, fees and employment potential are all factors that come into play when choosing an MBA course. But it might be worth asking where the directors of Europe's biggest companies sought their MBAs.

The maturity of most company directors means their youthful decisions will be an indicator of the quality of the business schools they attended twenty-odd years ago – rather than their quality today. Any information will inevitably be biased against schools which have reached prominence over the past decade – such as Warwick in the UK.

Nonetheless, the information does have contemporary relevance. If the guys at the top have a soft spot for a particular business school this is likely to influence the recruitment patterns of that company. Moreover, any would-be consultants might find it easier to find a job after attending the same school as the boss.

A study of Europe's top 100 companies* reveals some interesting statistics. By far the largest number of company directors surveyed attended the French school Insead, based at Fontainbleau.

Of the 60 members of the top management teams identified – at executive director or management board level – 11 went to Insead. Perhaps more importantly, these directors were spread across the continent, working at companies in the UK, the Netherlands, Switzerland and Germany, as well as France.

By comparison, of the alumni of London Business School, where seven company board members were identified, four worked in the UK – the other three worked in Spain and Switzerland.

The Cranfield School of Management was cited by five board members, but all work in the UK. In spite of its reputation as an industrial - even "techie" - business school, two of the five directors with Cranfield MBAs worked in service companies and a third in the media.

Of the 23 directors identified with MBAs from US business schools, Harvard, perhaps unsurprisingly, hit the top slot with seven directors while Stanford and Columbia produced four directors each.

Elsewhere there was a sprinkling of local schools providing directors for local companies. Iese, Esade and the Instituto de Empresa, in Spain, Henley and Manchester business schools in the UK, HEC in France, and Leuven in Belgium, were all listed. In Scandinavia the Stockholm School of Economics and Helsinki School of Economics and Business Administration were both represented as was the Graduate School of Business Administration in Zurich.

Strong local schools, feeding local businesses, also predominated in a survey of MBA employment patterns and requirements carried out among Europe's largest 500 companies.*

Sixty-seven of the 500 companies responded. Though the numbers represent anecdotal rather than definitive evidence of European industry's views on the different business schools, the responding companies were a self-selecting group: overall, those who responded were those who invest heavily in management training.

The companies were asked which business schools they used to recruit MBA graduates from, where they sponsored students to study and which business schools were most heavily represented in their management teams.

Europe's directors

Where Europe's directors got their MBAs

Rank	School	Country
1	INSEAD	France
2	London Business School	UK
3	Harvard	US
4	Cranfield School of Mangement	UK
5*	Stanford	US
5*	Columbia	US

* equal fifth

Again it was Insead that swept the board across Europe followed by the usual suspects – IMD in Lausanne and London Business School.

The data is inevitably skewed on a country-by-country basis, depending on the education system in place there. In Germany and Scandinavia, for example, where MBA degrees are largely unheard of, there is little stomach for sponsoring students to study for them. Most managers there, as in France, have studied management through the traditional university system.

Over the past five years the situation has begun to change, however. Kjell Angelid, senior management consultant within the personnel group at Skandia Insurance, in Stockholm, notes a real growth in the number of courses in the region these days and an increased interest from younger employees for studying for an MBA.

The names that came up most frequently from Scandinavian companies were the Stockholm School of Economics and the Helsinki School of Economics and Business Administration.

A glance down the list of directors of most German or Scandinavian companies reveals a list of doctorates a mile long, but not an MBA in sight.

Many French companies list the local "grands ecoles" as their hunting ground. In the UK, which has most closely followed the US model on management education, companies both sponsor students and recruit quite widely from their local business schools. At a national level Cranfield, Warwick, Manchester, Henley and Bradford scored highly. In the Netherlands the names of Erasmus and Nijenrod were listed.

One interesting footnote is that while few companies are prepared to send managers to study in the US, at least one company used the Chicago part-time MBA programme, which takes place in Barcelona.

** The companies surveyed belong to the FT Euro 500 list of companies (and a subset thereof). These are the largest European companies by market capitalisation.*

PART-TIME PROGRAMMES • by Della Bradshaw and Parminder Bahra

Learning while earning income

Part-time MBAs suit those who wish to remain in work and do not hinder prospects

Studying for an MBA degree is not cheap. With a full-time one-year course setting you back around £50,000 once fees, accommodation and the *opportunity cost (a year* without a salary) are included, the part-time option can look extremely attractive.

The core question is whether a part-time degree delivers *the same* long-term career benefits and whether employers treat them with the same degree of respect as the full-time alternative.

There is no definitive answer. At City University *Business School*, for example, the huge numbers of employees from the international banks in London swell the ranks of the part-time programme. Today, graduates from the 1994 City programme have an average salary of £80,621. With the exception of the full-time *programme at IMD, in* Switzerland, no other alumni earn so much today.

Just how much their salaries would have increased without an MBA is impossible to gauge but most of the *City respondents attributed* at least some of the success to the MBA.

"The MBA allowed me to move within my company into the job I wanted," commented one 31-year old computer company employee. "I use the skills I learned in the MBA every day of my working life."

An American banker now working in Singapore expressed a common theme, that the City MBA was very relevant to the banking industry. "For a career in finance the MBA is perceived as a licence to practice. Although the course itself was enriching, the confidence gained by attending and obtaining the MBA degree has helped me in my career progression."

But the City alumni are by no means characteristic. The *profile that* emerged of a typical part-time student was a thirty-nine-year-old man – women are less likely to study part-time than men – who began his MBA in his mid-thirties. He earns an *average of £53,400 and has* seen a growth in his salary of 74 per cent since beginning the course.

Compared to his full-time equivalent he is older, on a higher salary at the outset and much more likely to be company-sponsored – 57 per cent of part-time students were company-sponsored compared to 15 per cent of full-time students.

Starting an MBA later in life can bring its own problems. One 46-year-old woman hospital administrator who studied at Durham believes *she left it too late to exploit* the full value from her degree. "I find it stressful to observe and have to negotiate with senior managers who possess little insight or creativity and in a system *governed by process.*"

Like most part-time MBA graduates she chose to stay in the same profession after graduation. A satisfying 73 per cent of all part-time students stayed in the profession in the three years after graduation, compared to 45 per cent of full-time students. *The only real shift for* the part-timers is into consulting: that percentage grows from six per cent to 12 per cent over the period.

Part-timers do well in changing their job function, however. Three years after *completing the course* 22 per cent of them were directors. Again, this could simply be an indicator of the higher age at which part-time students begin the course.

The biggest concern for *many studying part-time* was the quality of the degrees that were awarded. Because the part-time course has often been the domain of the new universities (old polytechnics) in the UK, many alumni said that employers were wary.

One 41-year-old public sec*tor manager* who studied at London Business School says his MBA helped him achieve his current position. But, he says, "As many managers now have MBAs, employers are dubious about *the quality of many institu*tions. The name of LBS allayed those fears."

For many, maintaining a full-time job and studying as well was one of the most difficult attributes of studying part-time. Reports of four hours sleep a night and weekends filled with coursework were not unexpected. Many part-time students warned of the dangers of trying to do a course without the support of employers.

As a footnote, two of the courses we have classified as part-time might *be more* correctly classified as modular. The Judge Institute course, at Cambridge University, was set up following consultation with management *guru Charles Handy*. At first – *the class of 1994* were the first class to graduate with the degree – the programme was a sophisticated sandwich course combining academic study and projects in the workplace. Today the *Cambridge degree can be* studied as a part-time or full-time degree course.

The other is the MBA run by the International Executive Development Centre in Slovenia. The school rocketed to prominence last year when it was included in the Equis accreditation process *run by the European* Federation for Management Development (EFMD), in Brussels. Although the salaries commanded are considerably lower than that in western Europe, the percentage salary *increase the course* brings – at 113 per cent – is much higher than most.

Graduates from IEDC noted the same achievements and problems as other part-time students. However they expressed an increased concern that the MBA degree was undervalued.

The part-time route to financial reward

Schools listed according to the salaries their alumni earn today (£)

School	Study cost (1994 prices)	% improvement in salary	Average Salary pre MBA	Average salary upon completion of MBA (1994 prices)	Average salary today
City University Business School	12,667	118	36,993	49,331	80,621
Bath University School of Mgt (1)	N/A	86	37,000	40,875	69,375
Warwick Business School	10,333	79	36,857	40,615	66,143
London Business School	N/A	68	38,938	49,089	65,375
Cranfield School of Management	14,750	60	40,714	48,286	65,133
Kingston Business School	6,000	71	33,833	41,333	58,000
Cambridge University (2)	25,000	53	35,754	45,898	54,755
Bristol Business School (1)	13,833	68	28,025	33,368	47,158
De Montfort University (1)	5,500	79	23,538	30,336	42,063
IEDC, Slovenia (1)	8,569	113	14,027	15,906	29,844

Only schools with a greater than 70% response rate have been included in this table
1 Includes alumni from 1993 and 1994 2 Figure represents the first graduating class only from the Judge Institute in Cambridge

Cost of full versus part-time MBAs

	Full-time study (average cost inc opportunity cost)	Part-time study (average cost)
LBS	£78,224	n.a.
MBS	£58,206	£9,500
CRANFIELD	£46,950	£14,750
WARWICK	£50,093	£10,333

Average cost of course
Full-time £58,368
Part-time £11,526

Average improvement in salary from pre MBA to today
Full-time £33,168
Part-time £27,984

n.a.: All respondents company sponsored
Source: FT Survey

DISTANCE LEARNING • by Lisa Wood

A new route to success

Distance learning can be a sound alternative to conventional MBA study

The growth of distance learning provides a convenient route to an MBA quali*fication, one which may* appeal to a different sort of student than those who decide to undertake a more traditional path.

"An MBA obtained by distance learning is not a poor relation to that obtained by full-time or part-time study," says Mike Jones, director *general of the UK-based* Association of MBAs, a body which accredits MBA programmes at 49 of the world's top business schools.

Distance learning, sometimes called open learning, involves the students studying in their own time, using a variety of tutor-supported learning materials and possible short residential periods. Study can be undertaken for between two and six years and can be cheaper than for a full-time MBA. There is limited provision by schools *in the US and Australia.*

Strathclyde University claims that that it was the first UK business school to offer a distance learning MBA in 1993. Since then the number of schools offering the qualification and the number of students taking that route to an MBA have grown rapidly – making up about 20 per cent of the MBA 1996 intake in the UK, the last year for which figures are available. The largest provider is now the Open University Business School.

Big Employers such as Sony, Ernst & Young, Lloyds TSB, PowerGen, Ford and Glaxo Wellcome all sponsor employees on distance learning programmes. Some employers, such as IBM, have largely switched their financial support from full-time MBAs to distance learning *ones and are* pleased with the results.

As in any other field of *study, however, there are* variable standards of courses. Mr Jones and his association are concerned at the quality of some distance learning MBAs. The association accredits distance learning MBAs at only six of the 20 UK schools offering distance learning. They are *Durham University, Henley* Management College, the Open University Business School, Warwick University, Strathclyde University and Kingston University.

Accreditation of a distance learning MBA itself entails a school meeting strict quality criteria set by the association which started the distance learning scheme about five years ago. Accreditation is necessary for students wishing to take advantage of a loan scheme offered by the association with Barclays Bank *and the National* Westminster Bank.

"We are concerned about the standards at some schools," says Mr Jones. "But I am also sure that there are good quality distance learning MBAs at schools we do not accredit. Some schools may not want accreditation by us, others *may not have been offering* the courses long enough to meet our criteria.

"I would urge every student considering studying for an MBA to be aware of the accreditation system, which is a kitemark of quality.

"There is beginning to be *an over provision of MBAs* and many employers believe that it is not just the qualification that is important but where you got it. Students who may be considering part-time study at a local school which is not accredited might consider doing a distance learning course at an accredited school."

Some schools offering distance learning MBAs which have not considered applying for accreditation in the past say they are now considering such a move. Bob *Henry of the University of* Wales, Bangor, which offers a distance learning MBA in association with the Manchester Business School, says: "We have no concerns about the criteria for accreditation. We did not apply for accreditation because many of our students are from overseas and the need for a *school to have accreditation* before a student could get a loan from the scheme offered by the banks and the Association of MBAs was not relevant to them. However, the kitemark is now becoming significant in marketing a programme to potential students."

David Asch, Dean of the Open University Business School, says that the profile and objectives of those taking full-time MBAs and those undertaking study via distance learning are quite different.

Students opting for distance learning tended to be older than those taking full-time MBAs. They were often in senior positions and wanted to improve their management skills in their existing jobs while many students taking full-time *MBAs wanted to improve* their job prospects and change jobs. This is one reason why a survey by the *Association of MBAs showed* that salaries of those completing full-time MBAs were higher than those undertaking distance learning and part-time study.

Distance learning, says Mr Asch, *was not suitable for* those who were not well motivated as study at home required great personal discipline. Indeed, about 30 per cent of students enrolling on distance learning courses at UK schools drop out in their first year.

The fact that students undertake study in their own time is a big attraction to employers, many of whom feel that even part-time study takes valuable employees away for too long from the workplace.

Most students undertaking distance learning MBAs are at management level – as at IBM. Maurice Mattison-Thompson, manager of management development in Europe for IBM, says that until 1993 the company tended to support full-time MBAs for a limited number *of senior managers.*

But, as the need for improved management at all levels had grown there had been a switch towards supporting a greater number of managers on distance learning programmes. "*It is not* possible to allow a swathe of managers to undertake full-time study," he says. Our decision to support distance learning programmes was based on the perceived need for the MBA qualification, the volume of candidates and the price."

*This year IBM is sponsor*ing nearly 700 students on programmes offered by the Open University Business School. In 1993 there were only 25 employees on the programmes. The first cycle *of IBM students completing* the four year course have just graduated and IBM is pleased with the results. "Courses tend to be more practical than the full-time MBA, with study very much related to practice," says Mr Mattison-Thompson. "Individuals have ploughed back their skills into the workplace. As employers it is now up to us to offer them the opportunity to use fully those skills."

Distance learning students can also have short residency periods at school AP

Many business schools now use the internet to keep students informed — Han Lee de Boer/LBS

INFORMATION TECHNOLOGY • by Vanessa Houlder

An appetite for high tech

The benefits of the computer age are useful to both students and schools

Information technology (IT) is no longer just another subject on the curriculum at business school. IT has become an integral part of most management courses. As such, it is significantly changing the day-to-day life of the typical MBA student.

It is now possible to use computers to choose a school, to make applications, to register for classes, to study, to take exams, to find a job and, later, to stay in touch with the school and classmates.

But the most sophisticated IT applications go well beyond administrative functions. Harvard Business School (HBS), for example, has stepped up its investment in technology to set up a "community-wide IT infrastructure to enhance learning and communication". It uses the Internet and World Wide Web technology to deliver materials and assignments and to provide on-line forums for students and faculty.

The school's own web pages are not static, but dynamically generated. The server makes a web page customised for the students with their specific assignments, classes and materials with hyperlinks to other useful pages.

By using multimedia, the case studies used for teaching are becoming more vivid and instructive. An increasing number of electronic cases incorporate video sequences. "We are now able to conjure up much richer images," says David Upton, an associate professor at HBS. Electronic cases may also offer links to the web pages of the companies involved. Students can also use their PCs to vote on their preferred outcome to a case before the class begins.

Harvard is also trying to ensure that its links with its students continue after they have left. It is experimenting with many different "lifelong learning" projects, including chat rooms, bulletin boards and websites that allow alumni to get access to the latest information from the school.

Harvard, like many of the other top schools, has introduced "lifelong e-mail" to help MBA students stay in touch with each other and the school throughout their careers.

This is a single electronic mail address that students can use throughout their careers, even when they change jobs or open new e-mail accounts. All mail is forwarded to the chosen e-mail address. Typically graduates use the link from their school's Alumni Web page to change their password and forwarding address.

The advantage of the e-mail address for the students is that they can subscribe to alumni mailing lists – although generally not to other mailing lists. They can also gain access to a list of websites of interest to alumni. It may also be possible to search through a complete database of lifelong e-mail addresses.

There may be some drawbacks associated with being listed on a business school's e-mail directory. Many alumni dislike the idea of their e-mail address getting into the hands of companies that want to sell products to high-earning individuals.

This is not a straightforward issue to resolve. It is hard to define the limits for legitimate interest in students' addresses. For example, most alumni would not want to limit access to their own class, because they may have had friends in other classes.

Nonetheless, many business schools have introduced policies restricting the use of the lifelong e-mail addresses. Wharton, for example, says "lifelong e-mail addresses are not provided for purposes of soliciting and Alumni Affairs reserves the right to cancel lifelong e-mail addresses for misuse".

In addition to offering lifelong e-mail addresses, some schools plan to offer their students and alumni interactive web pages that are tailored to their interests.

Last summer London Business School (LBS) introduced a system that allows a unique web page to be generated for each student. When students log on, they can click on icons that will lead them into discussion groups (which deal with anything from sports events to academic debates), course outlines, an address book (which can be searched according to country, course, and so on) and various home pages.

Over the next six months, LBS intends to make e-mail accessible through the student's own web page. In addition, it wants to put relevant information from external sources such as on-line newspapers on their web pages. It is also exploring the possibility of using "push" technology in the form of Netscape's Netcaster software, that allows publishers to deliver information to users' desktops rather than wait for them to find it.

The potential of these interactive web pages is significant," according to Fergus Lynch of LBS. "It is a real tool. It is not something we are doing just to have an Internet presence," he says.

The benefits of this sort of system are particularly apparent for students who are working at some distance from the business school. At LBS, for examples students can get remote access to slide libraries, schedules, lectures and reference materials. "On-line collaborative working is particularly suited to students taking part in executive education who are not in daily face-to-face contract."

The Internet is, however, not the only technology that is making it easier for students to learn from professors or executives in other parts of the world. Videoconferencing is another tool that is proving useful. Students based in Singapore and Malaysia are able to have tutorials with lecturers at London's Imperial College Management School over a videoconferencing network to supplement the less frequent face-to-face contact they receive.

Both videoconferencing technology and the Internet are also playing a part in the recruitment of business school students. Videoconferences are a relatively simple way for companies to conduct preliminary interviews without having to visit the business school's campus. Moreover, storing CVs on electronic databases makes it easier for potential recruiters to find students that satisfy a variety of criteria.

At London Business School, for example, companies can browse the database of anonymous summaries – which list individual's career experience, industry and sector specialisation, language proficiency and salary expectations.

Candidates are contacted with the name of the recruiting company and, if they agree, their CVs will be forward within 48 hours. Recruiters can then consider the CVs and decide whether to offer an interview directly. So far, over 500 alumni have registered; 35 companies have placed jobs on line.

The students at schools which have invested heavily in IT are gaining a two-fold benefit. As well as reaping practical advantages from the technology, they are also gaining expertise in using state-of-the-art equipment.

Unsurprisingly, some schools report that the appetite of students for up-to-date technology is virtually insatiable. "As fast as we innovate, the students take it as a matter of course," says Mr Upton of Harvard Business School.

TRADING ROOMS • by George Bickerstaffe

Building bourses for beginners

Schools respond to demand for greater practical experience in markets

The financial world has always held a strong attraction for MBA graduates. In 1997 13 per cent of graduates from the Kellogg business school at Northwestern University outside Chicago (a school traditionally associated with marketing experts) opted for jobs in the investment banking field at an average salary of $75,000.

Many schools boast much larger percentages – 26 per cent at the Kenan-Flager school of the University of North Carolina, for example. At London Business School about one-third of its 200-plus MBA graduates and all of the 100 graduates of its Masters of Finance programme go into the field.

A number of business schools have begun to respond to this interest by introducing direct hands-on experience of dealing in shares, foreign currencies and exotic derivatives such as options and futures into their curricula.

MIT's Sloan School in Cambridge, Massachusetts, in the US was one of the first business schools to follow this route. In March 1996 it set up the first fully equipped trading room ever built on a university campus. The Sloan trading room is identical to real-life trading rooms.

Indeed, Sloan used a firm of architects who have designed actual trading rooms all over the world. Sloan has live price-volume data from Reuters, Bridge and Bloomberg on all the large financial instruments (though links are delayed by five minutes to prevent actual trades being made). Trans-Lux Data Walls display market information and an IPC Tradenet telephone network.

According to Sloan, faculty and students use the 3,000 sq ft facility for classroom study and assignments on a range of investment issues such as financial market analysis, options pricing and the use of information technology in financial services. The trading room is also a research facility. Subjects under investigation include improved methods for analysing and evaluating risk, the psychology behind trading decisions, and neural networks that can "learn" from past market experience.

According to Paul Asquith, professor of finance at the Sloan school, understanding market behaviour without a trading room is like studying "cell biology without a microscope".

LBS students play the Citibank Bourse game — Eyecatchers/LBS

One of the most extensive facilities in Europe is based at the University of Reading at the Isma Centre, a unit set up for the study of securities markets by the Zurich-based International Securities Market Association (Isma). The centre, which is about to move into a custom-designed SFr5m ($3.30m) building on the Reading campus funded by Isma, offers a unique masters degree in international securities, investment and banking that makes extensive use of simulated trading.

The Isma Centre's "Invest" dealing room has 30 Reuters 3000 terminals, Dow Jones and Bloomberg terminals, and dealing, portfolio management, risk management, hedging and valuation software. Sessions in the Invest room are required of all students even if they do not intend to become dealers or fund managers.

According to Brian Scott-Quinn, director of the centre: "Everyone involved in an investment bank, investment firm or regulatory agency should have experience of the key market risk assessment, risk taking and risk hedging functions. Risk is the key in the investment banking industry and something that every employee needs to understand from his or her experience".

Also in the UK, students at London Business School take part every year in a simulated game – the Bourse Game – which has been organised by Citibank for the last 18 years. LBS is the only institution outside the US to participate.

The game is designed to give students a practical understanding of foreign exchange and monetary markets through a mix of lectures and real-life exercises. According to LBS, as well as providing experience for students the game also gives Citibank a chance to spot "rising stars".

During the four-day game, students attend theoretical lectures in the mornings and simulated trading sessions in the afternoon. In these, students work in teams as competing "banks" trading term deposits, spots and dealing in the forward and spot foreign exchange markets. In addition they have to react to fictitious news bulletins fed via a television "network". Success is measured not just by maximising profits but also on return on assets, risk limitation and overall professionalism.

Zacharias Maniatis, who completed a Masters in Finance degree at LBS in 1995, says: "The game exposes you to the stress involved in working in a dealing room. I now work at Alpha Brokerage in Athens and I found the whole experience invaluable."

The numbers of business schools operating their own trading rooms is still small – perhaps half a dozen in the US, two or three in Europe and the same number in the Asia Pacific region. But many more are likely to join.

The next is likely to be the Johnson School of Cornell University in Ithaca, New York State, in the US, where its Parker Center for investment research expects to have a trading room up and running by May 1998. As well as hands-on trading experience, Charles Lee, director of the centre and a professor of accounting and finance, wants to use the facility to understand how people use information.

Cornell is also involved in an innovation in trading simulation that looks likely to spread as quickly as simulated trading rooms – the use of real money portfolios. Such schemes have been running for a number of years at the universities of Texas and Wisconsin and elsewhere in the US. Students at Texas and Wisconsin respectively manage portfolios of $3m and $1.5m.

But whether they use real money or not, the use of computers to simulate trading situation is undoubtedly here to stay. Mr Scott-Quinn at the Isma Centre says: "It's much cheaper to send someone on a course that provides computer-based assessment of performance than to try them out on the dealing floor and hope it all works out".

THE GENERAL MANAGER • by Richard Donkin

Filling in the experience gaps for new executives

Valued staff can be taught the latest systems of best practice in business

Your engineering qualifications are impeccable but despite your well-earned reputation for technical expertise you wouldn't know a marketing strategy if it bit you on the head. Suddenly your technical talent is rewarded with a senior management position. What do you do?

One idea may be to go back to school. Business Schools are finding increasing interest from companies keen to help their most valuable technical managers make the leap into executive positions with much broader management responsibilities.

Demand for such tuition was identified in a survey of 3,000 managers carried out last year by the UK's Institute of Management. It found that two-thirds had received no formal training to prepare them for their management responsibilities. About three-quarters of the managers said they thought it was important for them to receive some kind of training in broad management skills.

One problem, says the Institute, was identifying their deficiencies. The Institute now markets a diagnostic tool called Check-A-Board, devised in conjunction with Saville & Holdsworth, the psychometric test publisher.

"We think this is a vital first stage because the process enables you to find out how much you know and how much you don't know," says Mark Hastings, the Institute's policy adviser. "This way people can work out what programme of management education they need."

Management schools have a varied approach to such teaching. Some, like Cranfield University School of Management have tailored specific courses covering general management skills of specialists.

Cranfield's 12-week long General Management for Specialists course was designed with such a need in mind. It grew out of courses that extended general management skills to accountants and engineers.

Martin Clarke, the programme's director, says the course is aimed at those who have risen to be a functional head but who are now moving to a more senior position where they will need an integrated perspective of the company. "They may have been operating effectively within their speciality but when they move out of their comfort zone suddenly things get more complicated," he says.

"Often people come with an exaggerated sense of hierarchy, looking at the business from their functional perspective. They can soon become confused and demotivated by the paradoxes, for example, of mixing global and local considerations or of whether they should deal with falling profits by cutting costs or expanding market share. Part of our job is to get them to accept the fact that such problems will always be there and that there is no right answer."

The Wharton school at the University of Pennsylvania packs its two-week Executive Development Programme with business simulations designed to test executives' general management skills and help them deal with the sort of problems they will encounter in their companies. The simulations are used both for individual and group work.

"The group work involves complex decision making at different levels. We find the simulations are an effective way of accustoming these functional specialists to dealing with parts of the business with which they are not familiar. The courses are always oversubscribed," says John Kimberly, one of the lecturers who works on the programme.

Harvard Business School: tapping alumni for management experiences — Rubam Plowman/AP

Business schools, however, are also becoming aware of the opportunies such courses hold for exchanges of personal experiences, particularly among managers in different countries. "Our International Executive Programme gives managers a tremendous opportunity to network and extend their experience as well to break out of their particular expertise," says Sylvain Daudel, marketing director for executive education at Insead in Fontainebleau.

Other schools are experimenting with new forms of teaching. David Garvin, professor of business administration at Harvard Business School has introduced internet discussions using input from alumni who have recently moved into general management positions. "There is very little written on this subject and I thought this was a good way of obtaining fresh insights from people who could share their experiences," he says.

London Business School runs a four-week Accelerated Development Programme designed specifically to help the functional specialist meet the challenges of general management. Lucy Grant, client service manager for executive education, who looks after the course, says the most highly rated part of the programme by participants is a section which deals with inter-personal skills. "A lot of them are managing a team of people doing different things for the first time. This is probably one of their biggest challenges."

Ian Hardie, the school's development director for company specific programmes, says some companies now want the tuition of general management skills within their particular company structure. "These companies have a range of people across the organisation who are too specialised. One of the most valuable uses of this type of course is bringing managers together from different locations, often from different countries, which allows them to appreciate their different problems," he says.

The programme also has a multinational make up with 38 per cent of participants from the UK, 42 per cent from other parts of Europe and 20 per cent from the rest of the world.

Mr Hardie says that the need for such management tuition, even at senior levels, should not be underestimated. "You would be amazed to find how many people can rise to the top of their organisation in their specific field and yet be dreadful at managing people," he says.

PARTNERSHIPS • by Richard Donkin

Collaboration to advance new ideas

Business and MBA programme alliances can reap rewards for both sides

Ever since General Motors asked Peter Drucker, the management writer, to carry out a study of the company written up in his classic work, *The Concept of the Corporation* in 1946, companies have understood the potential of close collaboration with academics for improving their business.

Today the fashion is growing for business schools to have programmes co-operating closely with pace-setting companies. Often the co-operations involve forums of blue chip companies sharing the results of academic research and passing examples of best practice between each other.

But some schools are developing much closer links with specific businesses. One example is the way that Siemens Nixdorf Informationssysteme, the computer company, and the MIT Sloan School are working closely together in the exploration of emerging managerial issues such as the leadership of cultural change, team management, diversity and organisational leadership.

The relationship was developed by Gerhard Schulmeyer, after he was appointed chief executive of Siemens Nixdorf in 1994 with the job of restoring the loss-making company to competitiveness. Mr Schulmeyer, a graduate of Sloan School, decided the input of its academics could be a valuable way of initiating cultural change among his managers.

Three years ago, working closely with the school, he set up a "change agent" programme, designed to nurture entrepreneurial behaviour across the company. The concept was to develop such behaviour within a core group or cadre of high potential managers within the company. They would be responsible for working on specific projects over a year which would aid the company and the organisational capacity of its executives.

Many of the executives came with engineering backgrounds, seeking to expand their general business skills so that they could, in the words of Robert Halperin, director of executive education at MIT "develop a road map for understanding change and the type of culture needed to operate in a global context".

He adds: "The idea is that they will have more than a week or two to get injected with the knowledge. They will be learning and applying their knowledge on specific projects."

Although a four-week stretch of the course will be spent at MIT in Cambridge, Massachusetts, most of the time is spent working directly on the projects. "It's action learning. The idea is that people learn best when working on genuine problems and applying competency frameworks in their own environment," says Mr Halperin.

> 'There is a great opportunity for learning among our faculty from these individuals'

About 25 managers or technical specialists are selected and sponsored from the budgets of the heads of their particular business for each year's programme. In addition to the input from MIT they receive coaching on their projects from Solutions and Business Services, the company's consulting group.

One project, for example, is looking at the quality model promoted by the European Foundation for Quality Management. MIT is sharing the results of the work with the business sponsors.

"The programme is focusing on the customer service dimension of quality rather than on manufacturing," says Mr Halperin. Course lecturers are currently discussing case studies. One possibility, says Mr Halperin, is a study of the customer service practices of Ritz Carlton Hotels. "We think there is real potential in looking at something other than an IT business. Looking at a hotel group would provide a different frame of reference," he adds.

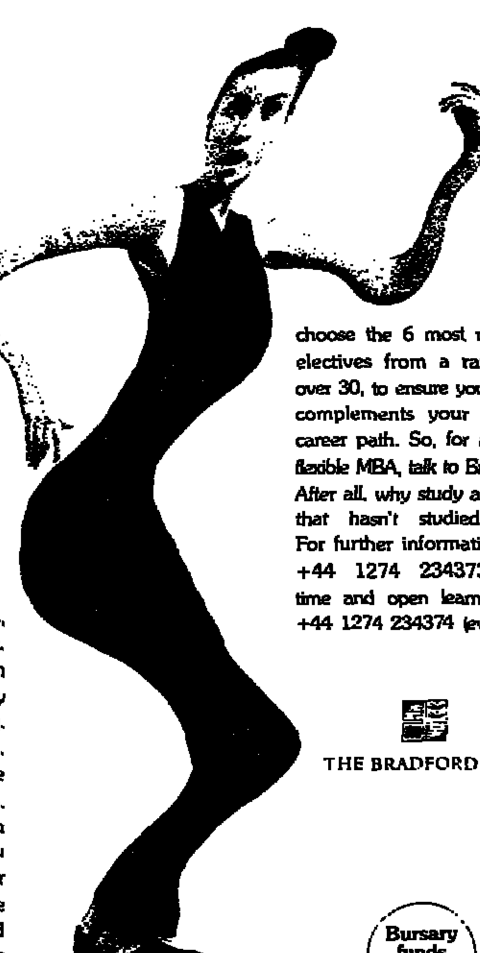
The programme has an important spin off for MIT in addition to course fees. "There is a great opportunity for learning among our faculty members working with these high potential individuals on real business projects," says Mr Halperin.

"It pushes our faculty to develop materials and present them in a way that is relevant to the company. It keeps the faculty fresh in the knowledge that it is dealing with leading edge ideas and it also provides important feedback into the MBA programme."

As part of the course the executives carry out site visits to selected companies. Company visits planned in Boston, for example, include two high technology start-up companies to look at how they manage projects and customers. One company on the tour programme is a potential customer.

The company also benefits from the number of executives it has steeped in various ideas for change management. "In December we had people from the three previous years and those in the current programme gathered together so we had 100 change managers capable of spreading their ideas through the company. They are becoming a very powerful group," says Tim Bookas, head of the Munich-based change centre at Siemens Nixdorf.

In addition to the MIT link up, the current group of change agents will be visiting Silicon Valley in May as part of a project run from Stanford Business School, focusing on innovation and creativity. The company plans the next programme to be extended to include participants from customers and suppliers. "We think that working on a common project will be an effective way of building relationships with customers and business partners," says Mr Bookas.



8 BUSINESS EDUCATION

PROFILE Yale School of Management

Aiming to educate the future elite


Yale SOM's dean, Jeffrey Garton AP

The Yale School of Management is an individual and increasingly aggressive participant in the world of Ivy League business schools.

It is far younger than its rivals, such as the Harvard Business School or Wharton, having been founded only 20 years ago at the edge of Yale University. It is the smallest of the truly élite US management schools, with only 200 students a year. And its graduates do not get an MBA, but instead a MPPM (Master of Public and Private Management).

But the Yale SOM competes head-on with its Ivy League rivals, even though it is clearly built on very different foundations. Its dean for the past two years, Jeffrey Garten, says the school has the largest endowment per student of any US business school and plans to expand the faculty by 60 per cent over the next five years.

The school still attempts to put business in a broader perspective than its rivals, as the unusual title of its degree implies. This is a by-product of fierce internal disagreements at the university at the time of the school's founding. Some of the university's governors felt uncomfortable about bringing a full-blooded business school on campus and the SOM still tries to specialise in developing public sector and non-profit entrepreneurs.

But Mr Garten is clear that this should not distort the school's underlying mission. "It's a total misconception that this is not a hard-edged business school," he says. "We are educating leaders for business and society. That means we are educating business leaders who will go on to lead businesses effectively because they understand everything else that's going on around them."

To do this, students must first master a testing array of business skills in their first year, including finance, accounting, business strategy, operations management and marketing.

These courses, according to Mr Garten, are "among the most quantitative of any business school in the world", taught in some cases by rigorous academic economists. No student can graduate without understanding the latest advances in financial engineering, such as how to price derivatives.

The SOM's small student body – which will remain roughly the same size while the faculty is expanded – does, however, limit the school in some ways. While larger Ivy League business schools have developed substantial autonomy, the SOM works more with its associated graduate schools, and with Yale's academic researchers.

The SOM is also developing a strong international focus, and all students must take at least one course in emerging markets. Its faculty – including Mr Garten, a former undersecretary for international trade and international investment banker – is already heavily loaded with experts on emerging markets.

The courses have a strong practical bent, and the school has made great efforts to build inter-disciplinary courses, using its links with the rest of the university.

For example, a new course this term will be offered jointly by the law and management schools, and cover the practical problems of doing business in emerging markets – including corruption, bankruptcy laws and currency convertibility, as well as the tough underlying economics. It has been heavily over-subscribed.

Another important part of Mr Garten's approach is to use Yale's pulling power to attract powerful guest professors. One of the most popular courses, for example, covers corporate governance. It is taught jointly by Ira Millstein, generally regarded as the leading legal expert in the field of corporate governance and an adviser to several presidents, and Paul McAvoy, a former dean of the SOM and economic adviser to President Ford, and director of numerous companies.

Their experience and contacts allow students privileged access to the best professionals. When students study the case of Chase Manhattan's 1995 take-over by Chemical Banking, one of the most famous mergers in American corporate history, they can speak not only to a Chase director of the time – Mr McAvoy – but also to Michael Price, the mutual fund manager who used a big stake in the company to force it into a merger.

Teamwork is important. Students tend to be far more co-operative than they are at other US business schools. They compete with each other far less than students at other schools, such as Harvard.

John Authers

PROFILE Essec

Diversity is the selling point

Essec may be one of France's top-ranked business schools, but at the start of the 1980s, its directors were confronted by a serious problem. While its domestic reputation was well-established as part of the country's elite system of "grands écoles", the institution was almost unknown abroad.

Students graduating with their diplomas and increasingly searching for jobs with international companies met bemusement and some difficulties in recruitment from those employers who were not familiar with the French educational system.

While many defenders of the French system argue that the graduates of the business grands écoles – notably HEC, Essec and ESCP – have the equivalent of an MBA, critics suggest that the diploma is more akin to the standard of an undergraduate degree from a top national university – such as Harvard or Yale in the US. Whatever the truth, Essec faced growing competition from foreign business schools luring candidates to other countries and also felt the need to expand.

The response has been the launch over the past few years of a range of specialist MBA and other post-graduate business programmes which have given Essec a new standing outside French national boundaries. A notable achievement came in April 1997, when Essec became the first European institution to be granted acceditation by the US business school accreditation body, the AACSB.

The bulk of Essec's students – some 1,600 at any one time – are top achievers, passing through preparatory classes, meeting the requirements of a competitive entrance exam and entering the school at 19 or 20-years-old for a three to four-year course. It is for these pupils that the Ecole Superieure des Sciences Economiques et Commerciales (Essec) was founded in 1907.

The recent diversification of courses has been rapid. Since 1993, the school has notably started offering an executive MBA, targeted at those who already have an average of 9-10 years of business experience. It costs FFr150,000, including tuition, books and a two-week residential course.

The course runs over two years, with participants continuing to work full-time in their own jobs, but coming to a special centre in La Defense on the edge of Paris every two weeks for classes on Fridays and Saturdays. Alongside class-room sessions, it draws on the experience of the students themselves, and the use of "groupware" software to allow them to communicate regularly when they are not together.

One-third of the annual intake of about 50 students is not French, and half of the tuition is carried out in English – although there is debate about switching entirely to English. "We don't want to attract people who can't speak at least two languages," says David Manson, course director.

There are 1,000 students on a range of other post-graduate courses at Essec, most significantly on ten specialist one-year full-time Masters' programmes, such marketing management, international business law and management, international purchasing and financial methods. There is also a two-year degree available from the international hotel management institute, which Essec set up jointly with Cornell University in the US.

Two years ago, Essec decided to take an even more innovative approach. It launched a one-year specialist MBA in luxury brand management.

The formula of niche MBAs appears to have worked well, and Essec has decided to launch a second one – specialising in agro-food – this autumn. Others may well follow.

Andrew Jack

PROFILE Graduate School of Business, University of Capetown

Ready to embrace a world view

Few of the world's business schools can boast a location more symbolic than the Graduate School of Business at the University of Cape Town. Its Breakwater Campus is housed in a former prison and is now a national monument.

This bridge between the contemporary world of commerce and the historic institutions of the university, is an apt illustration of Cape Town's growing exposure to international business after years of isolation.

"The political reservations about coming to a South African institution have gone," says Professor Kate Jowell, the school's director. Last year, one-third of its full-time MBA students hailed from outside South Africa. A record number of international applicants are expected this year.

For many western students at least, South Africa may seem an unlikely place to develop the skills that global business will need in the next century. Although the high tariff barriers which protected local industry during the apartheid era have been dismantled, its legacy is a labyrinthine network of cross-holdings built up during isolation.

A handful of conglomerates dominate the local economy, competition is often limited, and skilled managers are in short supply. For all that, the biggest companies have begun to overhaul their corporate structures and many have recognised an urgent need for incentive schemes to stem the migration of scarce talent.

Professor Jowell says the University of Cape Town is playing an important role in boosting the calibre of local management. The school invites an array of foreign academics to give an international perspective, and runs an exchange programme with "top drawer" international schools including Wharton and UCLA.

For foreign students in particular, Professor Jowell suggests a year spent in South Africa's post-apartheid economy could bring tangible benefits. "With so much discussion about business globalising, it's important to establish yourself with some knowledge of a society that is in transition."

The MBA course runs concurrently with an Associate In Management programme (AIM), which is South Africa's only full-time business course available to people with limited formal education. The AIM syllabus places more emphasis on group and project work.

AIM attracts candidates in supervisory positions or with a background in the trade union movement who take a series of courses modelled on the MBA programme. Nicola Coombe, AIM director, describes it as "a bridge for people who in a normal society would have progressed beyond their current position".

The school also conducts research on the South African workplace through a variety of studies that contribute to its database and information service. The best known initiatives are the Breakwater Project, a biannual review of employment equity among large corporations, and the Manufacturing Roundtable, which has pioneered the Best Practice Initiative, a review of manufacturing processes.

Next to the experience of the changing South Africa and the splendours of Cape Town, the relatively low fees are one of the principal attractions of UCT's MBA. The course, which begins in January and runs for a full calendar year, is South Africa's only full-time MBA and costs just $9,500 for students living outside Southern Africa. The rand cost for residents of countries in the Southern African Development Community is R30,500 ($6,174).

For the past two years, the school's MBA programme has been the most highly rated in South Africa by respondents to an annual professional management MBA survey. Roughly 90 students have enrolled for the 1998 class, which will be the largest on record. The average age is 30, and the average level of previous work experience is seven years.

Mark Ashurst